TELECOM ITALIA GROUP
3Q’16 Results
Rome – November 7, 2016

3Q’16 Update

Flavio Cattaneo – Piergiorgio Peluso
Safe Harbour

This presentation contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of estimates regarding future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the Telecom Italia Group. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors. Consequently, Telecom Italia makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward looking statements.

Forward-looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results. Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia business or acquisition strategy or planned capital expenditures or to reflect the occurrence of unanticipated events. Analysts and investors should consult the Company’s Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission which may identify factors that affect the forward looking statements included herein.

The financial and operating data, with the exception of some data, have been extracted or derived from the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as IFRS). Such interim financial statements are unaudited.

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2015, to which reference should be made, except for the new standards and interpretations adopted by the Telecom Italia Group starting from 1 January 2016 which had no effects on the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016.

Within the Brazil Business Unit, TIM Brasil’s Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenue from the sale of prepaid traffic. Such incorrect accounting entries, resulted in the early recognition of revenues and consequently the understimation of deferred revenue liabilities for prepaid traffic not yet consumed. The incorrect accounting entries did not have any impact either in terms of net financial position nor on cash and cash equivalents.

In light of the above, the comparative financial information as of 31 December 2015 and for the three-month and nine-month periods ended 30 September 2015 have been revised, segment information included. Furthermore, such revision did not have any material impact on the consolidated income statement of the three-month and nine-month periods ended 30 September 2015.

Segment information is consistent with the prior periods under comparison with the exception of the Media Business Unit that, starting from 1 January 2016, as a result of the change in the operational mission of Persidera, is included in the Domestic Business Unit. Furthermore, the Sofora - Telecom Argentina group, which was disposed of on 8 March 2016, is classified as Discontinued operations.
Agenda

Group Progress Overview - Flavio Cattaneo

3Q'16 Results – Piergiorgio Peluso

Take-Aways – Flavio Cattaneo

Back-up
Another Quarter of Outperformance on Domestic

Organic*, % YoY

- Best Domestic Quarterly performance since 2007
- Combining Top Line Growth with strong EBITDA * and EBITDA-CAPEX
- Sound growth in Organic Ebitda Margin: +3.1pp YoY at 49.3% in 3Q
- 9M'16 YoY EBITDA* +3.3% already ensures YTD the 2016 «low-single digit growth» Target

FY performance

* Organic: before non-recurring items and excluding exchange rate fluctuations
**Excl. license
Highlights

Group Shifting Gear, with also Brazil in Recovery mode

Organic*, % YoY

**Excl. license

* Organic: before non-recurring items and excluding exchange rate fluctuations

Total Revenues

- FY'15: -4.6%
- 1Q'15: -5.6%
- 2Q'15: -4.3%
- 3Q'15: -1.2%
- YTD'16: -3.7%

Organic* EBITDA

- FY'15: -4.5%
- 1Q'15: -7.5%
- 2Q'15: +4.0%
- 3Q'15: +6.6%
- YTD'16: +1.2%
- YTD'16: +1.2%

TIM Group

- FY'15: -15.3%
- 1Q'15: -15.0%
- 2Q'15: -6.7%
- 3Q'15: +0.5%

Brazil

- FY'15: -12.1%
- 1Q'15: -12.4%
- 2Q'15: -5.2%
- 3Q'15: -2.3%
- YTD'16: -15.0%

YTD'16: +1.2%
### Building-up further upside for 4Q’16

**3Q’16**

- **Working on our Customer Base**
  - Service revenue growth confirmed at +1.1% YoY
  - New offers gain momentum
  - More upselling on CB

- **Moving into attack-mode**
  - **Consumer**: Successful September campaign leads to double-digit growth in new fixed lines
  - **Business**: Performance step-up in just one quarter (gross adds +30% YoY, net losses at historical low)

**KPIs**

- ARPU upwards to **12.8€** vs 12.5€ in 3Q’15
- LTE penetration increased to **51%**
- Good MNP Balance at **-44k** (vs -70k in 2Q’16)
- Best-in-class Churn at **23.5%** confirmed

**What’s next**

- **Further Performance supported by:**
  - Growing LTE penetration and densification
  - Quality and Caring
  - Push on Innovation: TIM Turbo Giga and more to come...

- **A growing Fiber beat enables more convergent sales**
  - Upgrading 80k HH per week to FttC and 20k HH per week to FttH
  - Voice-only upgrades to BB
  - Fiber Try-and-Buy
  - Further reduction in line losses

* On Mobile BB Customer Base

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- **Fixed**

  - **Record-low line losses at -100k**
  - **BB Net Adds +37K**
  - **BB ARPU up to €22.4** (vs 3Q’15 20.7€)
  - **> 1.1 million NGN customers**
  - New HD TV campaign delivers top-of-the-charts results
  - **+100k TIM Smart** gross adds in September

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* On Mobile BB Customer Base
## TIM Ultra BroadBand Roll-Out has never been Faster

<table>
<thead>
<tr>
<th>Technology</th>
<th>Current coverage</th>
<th>YE’16 Target</th>
</tr>
</thead>
</table>
| **FttH/B** up to 1Gbps | - 785k HH (+257k QoQ) of which 98k by August 15th with Flash Fiber  
- 30 cities (+16 QoQ) | - ~1 million HH |
| **FttC** up to 200 Mbps | - 13.6 million passed (>1 million QoQ)  
- Sellable in 1,510 cities (+260 QoQ)  
- 56% YE 2016 Country Coverage Target already met in October | - Country Coverage Target increased to ~60%  
- 14 million HH passed  
- Sellable in 1,600 cities |
| **LTE** up to 150 Mbps* | - YE ‘16 Target of 95% (+1.3 pp vs. 2Q’16) population coverage already reached in August  
- 6,530 cities reached (>+240 QoQ) | - Increased to > 96% in > 6,600 cities |

* Shared
Turnaround has just started

**MSR: Nose-Up**

<table>
<thead>
<tr>
<th>Mobile Service Revenues (YoY%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q'15</td>
</tr>
<tr>
<td>-7.1%</td>
</tr>
</tbody>
</table>

**Evolving our Market Positioning**

**Postpaid quarterly net adds** (thousand lines)

<table>
<thead>
<tr>
<th>-3.1%</th>
<th>+3.6pp QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q'15</td>
<td>4Q'15</td>
</tr>
<tr>
<td>-3.1%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

**Opex Reduction in progress**

**Organic* Opex (R$ bln)**

<table>
<thead>
<tr>
<th>Volume Driven</th>
<th>Process Driven</th>
<th>Market Driven</th>
<th>Labour &amp; Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Inflation ~8.5%**

- New approach on handsets
- Focus on transformation
- Quality / Churn swap in progress

**Consistent Recovery on Revenues and KPIs, with ARPU up 12% YoY at R$ 18.4 in 3Q'16 (from R$ 16.4 in 3Q'15)**

**TIM Improving Customer Mix while taking part to a more rational pricing environment**

**Organic* EBITDA back to positive in 3Q, reaching a 33.1% margin (up ~2pp both YoY and QoQ)**

**TIM at the forefront in LTE Urban Coverage (66%) with an efficient Capital Allocation**

**Strong Performance in Cash Generation (9M Organic* EBITDA-Capex +30% YoY)**

* Organic, i.e. excluding non recurring items

** Inflation: last 12 month figure as of September 2016, last available data.
Agenda

Group Progress Overview – Flavio Cattaneo

3Q'16 Results – Piergiorgio Peluso

Take-Aways – Flavio Cattaneo

Back-up
### 3Q’16 Revenues and EBITDA

**000, €mln, % YoY**

#### Total Reported Revenues

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
<th>% Change</th>
<th>% YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3,752</td>
<td>3,789</td>
<td>+1.0%</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>213</td>
<td>263</td>
<td>+23.9%</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>3,539</td>
<td>3,526</td>
<td>-0.4%</td>
<td></td>
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</tbody>
</table>

#### Total Domestic Revenues Breakdown

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
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<th>% YoY</th>
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<td>3,789</td>
<td>+1.0%</td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td>1,303</td>
<td>1,300</td>
<td>-0.2%</td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>2,645</td>
<td>2,643</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>Other&amp;Elim</td>
<td>(196)</td>
<td>(154)</td>
<td>+21.4%</td>
<td></td>
</tr>
</tbody>
</table>

#### Domestic EBITDA: Organic* and Reported

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
<th>% Change</th>
<th>% YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic*</td>
<td>1,732</td>
<td>1,867</td>
<td>+7.8%</td>
<td></td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>53</td>
<td>56</td>
<td></td>
<td></td>
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<tr>
<td>Reported</td>
<td>1,679</td>
<td>1,811</td>
<td>+7.9%</td>
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</table>

#### Domestic Service Revenues Breakdown

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
<th>% Change</th>
<th>% YoY</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>3,539</td>
<td>3,526</td>
<td>-0.4%</td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td>1,170</td>
<td>1,183</td>
<td>+1.1%</td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>2,592</td>
<td>2,499</td>
<td>-3.6%</td>
<td></td>
</tr>
<tr>
<td>Other&amp;Elim</td>
<td>(223)</td>
<td>(157)</td>
<td>+29.5%</td>
<td></td>
</tr>
</tbody>
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* Organic: before non-recurring items and excluding exchange rate fluctuations

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**Piergiorgio Peluso**

Telecom Italia Group Results - 3Q’16
Mobile and Fixed Dashboard

**Mobile Service Revenue Trend**

- 1Q'15: -2.5%
- 2Q'15: -1.5%
- 3Q'15: +0.1%
- 4Q'15: +0.6%
- 1Q'16: +0.7%
- 2Q'16: +1.1%
- 3Q'16: +2.6pp YoY

**Mobile Broadband Users**

- 1Q'15: 10,480 (17%)
- 2Q'15: 10,754 (25%)
- 3Q'15: 11,217 (31%)
- 4Q'15: 11,513 (38%)
- 1Q'16: 11,648 (43%)
- 2Q'16: 11,775 (49%)
- 3Q'16: 12,082 (51%)

**Fixed Line Losses**

- Business: -196 (3Q'15), -204 (2Q'15), -165 (1Q'15), -140 (2Q'16), -134 (3Q'16)
- Consumer: -50 (3Q'15), -58 (2Q'15), -56 (1Q'15), -56 (2Q'16), -56 (3Q'16)
- Total: -196 (3Q'15), -204 (2Q'15), -173 (1Q'15), -165 (2Q'16), -134 (3Q'16)

**Fixed BB Net Adds**

- Total: +10 (3Q'16), +26 (2Q'16), +5 (1Q'16), +47 (2Q'16), +43 (3Q'16)
- Fiber: +59 (3Q'16), +84 (2Q'16), +61 (1Q'16), +103 (2Q'16), +134 (3Q'16)
- BB Traditional: -50 (3Q'16), -58 (2Q'16), -56 (1Q'16), -56 (2Q'16), -91 (3Q'16)

*Domestic*
Opex Efficiencies continue to Accrue

### 1Q'16 vs 1Q'15
- Ebitda Margin: 44.4% vs 43.1%
- ΔYoY by destination:
  - Volume Driven: +37 (+5.3%)
  - Process Driven: -19 (-5.5%)
  - Labour Cost: -43 (-5.8%)
  - Market Driven: +24 (+9.8%)

### 2Q'16 vs 2Q'15
- Ebitda Margin: 43.5% vs 47.0%
- ΔYoY by destination:
  - Volume Driven: +28 (+3.5%)
  - Process Driven: -42 (-13.0%)
  - Labour Cost: -110 (-15.0%)
  - Market Driven: -30 (-11.2%)

### 3Q’16 vs 3Q’15
- Ebitda Margin: 46.2% vs 49.3%
- ΔYoY by destination:
  - Volume Driven: -23 (-2.9%)
  - Process Driven: -32 (-10.1%)
  - Labour Cost: -11 (-1.8%)
  - Market Driven: -32 (-11.7%)
  - **Commercial Levers** include Sales, Caring & Advertising
  - **Expo Sponsorship** (flat)

*Organic: before non-recurring items and excluding exchange rate fluctuations**

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Telecom Italia Group Results - 3Q'16
Piergiorgio Peluso
Net Debt: 3Q Step-down supported by Financial Discipline

€mln, % YoY

OpFCF 9M’16 vs’15

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</tr>
</thead>
<tbody>
<tr>
<td>9M’15</td>
<td>5,622</td>
<td>(3,233)</td>
<td>(838)</td>
<td>1,551</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9M’16</td>
<td>5,878</td>
<td>(3,107)</td>
<td>(863)</td>
<td>1,908</td>
<td></td>
<td></td>
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</tbody>
</table>

-543 vs YE’15

Disposal Argentina (665) Disposal Tower Brazil (28)

OpFCF 9M’16 vs’15

-256

3Q’16 Debt Reduction

<table>
<thead>
<tr>
<th>€bin</th>
<th>1H’16</th>
<th>3Q’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.5</td>
<td>-0.8</td>
<td>26.7</td>
</tr>
</tbody>
</table>

Reported Net FCF 3Q’16 vs 3Q’15: +591 mln €

TIM Group

Telecom Italia Group Results - 3Q’16

Piergiorgio Peluso
Agenda

Group Progress Overview - Flavio Cattaneo

3Q'16 Results - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

Back-up
Guidance Update

**Italy**
- NGAN coverage upgraded from 56% to ~60% YE’16 and from 75% to ~ 80% YE’17, with no increase of CAPEX targets*
- LTE Coverage upgraded from 95% to >96% YE’16 and from 96% to 98% YE’17
- YE’18 NGN Customers target increased 10%, from 5mln to 5.5mln
- Lines losses reducing towards parity in current Plan scenario
- Increase in Efficiency Plan to be announced in February

**TIM Group**
- Capital Intensity is projected to drop below 20% in the medium term, in line with coverage targets fulfillment
- Operational and Financial Discipline fully supports <2.7x Net Debt/Ebitda target in 2018, without the need of any Disposal*

*Spectrum not included
Agenda

Group Progress Overview – Flavio Cattaneo

3Q’16 Results – Piergiorgio Peluso

Take-Aways – Flavio Cattaneo

Back-up
3Q’16 - TI Group Results Overview

Group
- Revenues: € 4.8 bln
- EBITDA*: € 2.2 bln
- Capex: € 1.1 bln
- Net Debt: € 26.7 bln

Domestic
- Revenues: € 3.8 bln
- EBITDA*: € 1.9 bln
- NGN: 13.6 mln Households in 1,509 Cities
- 4G: 95% of Population in 6,600 Cities

Brazil
- Revenues: € 1.1 bln
- EBITDA*: € 0.4 bln
- 4G: 746 Cities with 66% of urban population covered
- 3G: 2,084 Cities with 83% of urban population covered

Inwit
- Revenues: € 83.9 mln
- EBITDA*: € 41.7 mln
- Tenancy Ratio: 1.70x
- Ebitda Growth: +15% YoY

* Organic: before non-recurring items
Group 3Q’16: Organic Revenues and EBITDA

Organic*, €mln, % YoY

**Group Revenues**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Equipment</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q’15</td>
<td>€4,900</td>
<td>318</td>
<td>4,582</td>
</tr>
<tr>
<td></td>
<td>3Q’16</td>
<td>321</td>
<td>4,522</td>
</tr>
<tr>
<td>YoY Growth</td>
<td>-1.2%</td>
<td>+0.9%</td>
<td>-1.3%</td>
</tr>
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**Revenue Breakdown**

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<thead>
<tr>
<th></th>
<th>Total</th>
<th>Domestic</th>
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<tbody>
<tr>
<td>3Q’15</td>
<td>€3,752</td>
<td>213</td>
</tr>
<tr>
<td></td>
<td>3Q’16</td>
<td>263</td>
</tr>
<tr>
<td>YoY Growth</td>
<td>+1.0%</td>
<td>+23.9%</td>
</tr>
</tbody>
</table>

**Group EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>EBITDA</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q’15</td>
<td>€2,077</td>
<td>42.4%</td>
</tr>
<tr>
<td></td>
<td>3Q’16</td>
<td>45.7%</td>
</tr>
<tr>
<td>YoY Growth</td>
<td>+6.6%</td>
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**EBITDA Breakdown**

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<th>Margin</th>
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<tbody>
<tr>
<td>3Q’15</td>
<td>€1,732</td>
<td>46.2%</td>
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<td></td>
<td>3Q’16</td>
<td>49.3%</td>
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<td>YoY Growth</td>
<td>+7.8%</td>
<td></td>
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<table>
<thead>
<tr>
<th></th>
<th>EBITDA</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q’15</td>
<td>€351</td>
<td>31.2%</td>
</tr>
<tr>
<td></td>
<td>3Q’16</td>
<td>33.1%</td>
</tr>
<tr>
<td>YoY Growth</td>
<td>+0.5%</td>
<td></td>
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* Before non-recurring items and excluding exchange rate fluctuations
Group 9M’16: Capex and Net Debt

**Group Organic* Capex**

<table>
<thead>
<tr>
<th></th>
<th>9M’15</th>
<th>9M’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total**</td>
<td>3,130</td>
<td>3,107</td>
</tr>
<tr>
<td>Brazil</td>
<td>827</td>
<td>709</td>
</tr>
<tr>
<td>Domestic</td>
<td>2,297</td>
<td>2,398</td>
</tr>
</tbody>
</table>

- Group Capex reduction due to different dynamics:
  - Efficiencies also from lower procurement costs despite higher Investments on Innovative Services in Brazil
  - More investment in Italy mainly driven by UBB Network roll-out & Transformational Projects

**Adjusted Net Debt**

<table>
<thead>
<tr>
<th></th>
<th>YE’15</th>
<th>9M’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total**</td>
<td>27,278</td>
<td>26,735</td>
</tr>
<tr>
<td>Domestic</td>
<td>26,651</td>
<td>26,804</td>
</tr>
</tbody>
</table>

- The 9M16 Net Cash Flow at the Group level was 543 million euro due to the strong OFCF generation (1.908 mln euro) fully generated in the Domestic Business (1.937 mln euro)

* Before non-recurring items and excluding exchange rate fluctuations
** Other activities & eliminations included
Mobile and Fixed Performance

**Domestic Mobile Revenues**

<table>
<thead>
<tr>
<th></th>
<th>3Q'15</th>
<th>3Q'16</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Handsets</td>
<td>1,303</td>
<td>1,300</td>
<td>-0.2%</td>
</tr>
<tr>
<td></td>
<td>133</td>
<td>117</td>
<td>-12.0%</td>
</tr>
<tr>
<td>Service</td>
<td>1,170</td>
<td>1,183</td>
<td>+1.1%</td>
</tr>
</tbody>
</table>

**Domestic Fixed Revenues**

<table>
<thead>
<tr>
<th></th>
<th>3Q'15</th>
<th>3Q'16</th>
<th>% Change</th>
</tr>
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<tbody>
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<td>2,645</td>
<td>2,643</td>
<td>-0.1%</td>
</tr>
<tr>
<td></td>
<td>53</td>
<td>144</td>
<td>+169%</td>
</tr>
<tr>
<td>Service</td>
<td>2,592</td>
<td>2,499</td>
<td>-3.6%</td>
</tr>
</tbody>
</table>

**Customer Base and ARPU Dynamics**

<table>
<thead>
<tr>
<th></th>
<th>3Q'15</th>
<th>3Q'16</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Customer Base</td>
<td>30,023</td>
<td>29,549</td>
<td>-474</td>
</tr>
<tr>
<td>% Calling</td>
<td>85.9%</td>
<td>86.5%</td>
<td>+0.6pp</td>
</tr>
<tr>
<td>ARPU</td>
<td>12.5</td>
<td>12.8</td>
<td>+2.4%</td>
</tr>
</tbody>
</table>

**Domestic BB Service Revenues**

<table>
<thead>
<tr>
<th></th>
<th>3Q'15</th>
<th>3Q'16</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB ARPU</td>
<td>€20.7</td>
<td>€22.4</td>
<td>+8.1%</td>
</tr>
</tbody>
</table>

Including passive infrastructure deals with OLOs
**Domestic Mobile Details**

**Mobile Service Revenues Trend**

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4.2%</td>
<td>-2.5%</td>
<td>-1.5%</td>
<td>+0.1%</td>
<td>+0.6%</td>
<td>+0.7%</td>
<td>+1.1%</td>
<td></td>
</tr>
</tbody>
</table>

**ΔCB**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.8%</td>
<td>-0.4%</td>
<td>+0.2%</td>
<td>+0.3%</td>
<td>+0.9%</td>
<td>+1.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ΔARPU/Mix**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-3.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ARPU & Churn Rate**

<table>
<thead>
<tr>
<th>ARPU reported €/month</th>
<th>ARPU &amp; Churn Rate (%)</th>
<th>ARPU &amp; Churn Rate (%)</th>
<th>ARPU &amp; Churn Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.3</td>
<td>+2.5% YoY</td>
<td>11.9</td>
<td>+1.5% YoY</td>
</tr>
<tr>
<td>11.6</td>
<td></td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>11.9</td>
<td></td>
<td>12.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12.8</td>
</tr>
</tbody>
</table>

**Mobile BB Service Revenues Trend**

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>+16.0%</td>
<td>+20.7%</td>
<td>+23.8%</td>
<td>+20.5%</td>
<td>+16.3%</td>
<td>+11.4%</td>
<td>+5.4%</td>
<td></td>
</tr>
</tbody>
</table>

**ΔUsers**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>+21.1%</td>
<td>18.0%</td>
<td>+17.5%</td>
<td>+14.5%</td>
<td>+11.6%</td>
<td>+10.1%</td>
<td>+8.2%</td>
<td></td>
</tr>
</tbody>
</table>

**ΔARPU/Mix**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-5.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ΔARPU/Mix**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-3.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mobile BB Customer Base**

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,480</td>
<td>10,754</td>
<td>11,217</td>
<td>11,513</td>
<td>11,648</td>
<td>11,775</td>
<td>12,082</td>
<td></td>
</tr>
</tbody>
</table>

**4G Users**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1,803</td>
<td>2,663</td>
<td>3,434</td>
<td>4,396</td>
<td>4,958</td>
<td>5,745</td>
<td>6,153</td>
<td>4G</td>
</tr>
</tbody>
</table>

**Internet Users**

<table>
<thead>
<tr>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8,677</td>
<td>8,091</td>
<td>7,782</td>
<td>7,117</td>
<td>6,690</td>
<td>6,029</td>
<td>5,929</td>
<td>4G</td>
</tr>
</tbody>
</table>

**51% of MBB**
Domestic Fixed Details

Fixed BB Service Revenues Trend

<table>
<thead>
<tr>
<th>Total</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>+5.7%</td>
<td>1Q'15</td>
<td>2Q'15</td>
<td>3Q'15</td>
<td>4Q'15</td>
<td>1Q'16</td>
<td>2Q'16</td>
<td>3Q'16</td>
</tr>
<tr>
<td>+6.8%</td>
<td>2Q'15</td>
<td>3Q'15</td>
<td>4Q'15</td>
<td>1Q'16</td>
<td>2Q'16</td>
<td>3Q'16</td>
<td></td>
</tr>
<tr>
<td>+3.9%</td>
<td>3Q'15</td>
<td>4Q'15</td>
<td>1Q'16</td>
<td>2Q'16</td>
<td>3Q'16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+5.8%</td>
<td>4Q'15</td>
<td>1Q'16</td>
<td>2Q'16</td>
<td>3Q'16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+6.9%</td>
<td>1Q'16</td>
<td>2Q'16</td>
<td>3Q'16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+6.2%</td>
<td>2Q'16</td>
<td>3Q'16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+10.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fixed BB ARPU

<table>
<thead>
<tr>
<th>€/month</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
<th>1Q'16</th>
<th>2Q'16</th>
<th>3Q'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.4</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
<td>+8.1% YoY</td>
</tr>
<tr>
<td>20.9</td>
<td>20.7</td>
<td>21.2</td>
<td>21.5</td>
<td>21.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.5</td>
<td>21.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fixed BB Customer Base

<table>
<thead>
<tr>
<th>Total Free</th>
<th>Total Flat</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,945</td>
<td>6,971</td>
</tr>
<tr>
<td>6,984</td>
<td>7,023</td>
</tr>
<tr>
<td>7,067</td>
<td>7,088</td>
</tr>
<tr>
<td>7,123</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flat ADSL</th>
<th>Fiber</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,121</td>
<td>534</td>
</tr>
<tr>
<td>6,105</td>
<td>492</td>
</tr>
<tr>
<td>6,081</td>
<td>468</td>
</tr>
<tr>
<td>6,045</td>
<td>440</td>
</tr>
<tr>
<td>5,980</td>
<td>416</td>
</tr>
<tr>
<td>5,902</td>
<td>396</td>
</tr>
<tr>
<td>5,872</td>
<td>379</td>
</tr>
</tbody>
</table>

Focus on Fiber Users

<table>
<thead>
<tr>
<th>NGN Wholesale</th>
<th>TI Fiber Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>290</td>
</tr>
<tr>
<td>76</td>
<td>374</td>
</tr>
<tr>
<td>105</td>
<td>435</td>
</tr>
<tr>
<td>139</td>
<td>538</td>
</tr>
<tr>
<td>170</td>
<td>672</td>
</tr>
<tr>
<td>199</td>
<td>790</td>
</tr>
<tr>
<td>247</td>
<td>872</td>
</tr>
</tbody>
</table>

Telecom Italia Group Results - 3Q'16
Flavio Cattaneo – Piergiorgio Peluso
TIM Brasil: 3Q’16 Results

Revenues

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4,115</td>
<td>3,900</td>
</tr>
<tr>
<td>Organic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>333</td>
<td>210</td>
</tr>
<tr>
<td>Service</td>
<td>3,782</td>
<td>3,690</td>
</tr>
</tbody>
</table>

EBITDA performance improving and better margins backed by:
- Higher data services penetration
- Well executed efficiency plan
- Lighter impacts from MTR and handset business

Focus on Mobile Service Revenues YoY

Mobile Service Revenues (YoY%) confirm their rebound

Capex

<table>
<thead>
<tr>
<th></th>
<th>3Q’15</th>
<th>3Q’16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,168</td>
<td>1,122</td>
</tr>
</tbody>
</table>

* Before non-recurring items
(1) € 30.951 mln is the nominal amount of outstanding medium-long term debt. By adding Mandatory Convertible Bond (€ 1.300 mln), IAS adjustments (€ 1.237 mln) and current financial liabilities (€ 803 mln), the gross debt figure of € 33.931 mln is reached.

(2) Committed Bank lines are undrawn

The gross debt figure of € 33.931 mln is reached.

European Monetary Unit (ERM)
OpFCF Generation in 9M’16

**9M Group OpFCF**

<table>
<thead>
<tr>
<th></th>
<th>9M'15</th>
<th>9M'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ebitda</td>
<td>5,622</td>
<td>5,878</td>
</tr>
<tr>
<td>Capex</td>
<td>(3,233)</td>
<td>(3,107)</td>
</tr>
<tr>
<td>∆WC</td>
<td>(838)</td>
<td>(863)</td>
</tr>
<tr>
<td>OpFCF</td>
<td>1,551</td>
<td>1,908</td>
</tr>
</tbody>
</table>

**Reported +4.6% YoY Organic* +1.2% YoY**

**Domestic**

- **Ebitda**: 4,525, +470 vs. 4,995, Reported +10.4% YoY Organic* +3.3% YoY
- **Capex**: (2,297), -101 vs. (2,398), (660)
- **OpFCF**: 2,058, -121 vs. 1,937

**Brazil**

- **Ebitda**: 1,108, -208 vs. 900, Reported -18.8% YoY Organic* -7.2% YoY
- **Capex**: (930), +221 vs. (709), (192)
- **OpFCF**: (484), +483 vs. (1)

* *Organic*: before non-recurring items and excluding exchange rate fluctuations

Mainly due to settlements cash out

---

**Telecom Italia Group Results - 3Q'16**

Piergiorgio Peluso
**Well Diversified and Hedged Debt**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (€ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross debt</strong></td>
<td>34,291</td>
</tr>
<tr>
<td>Financial Assets</td>
<td>(7,556)</td>
</tr>
<tr>
<td>of which C&amp;CE and marketable securities</td>
<td>(5,767)</td>
</tr>
<tr>
<td>- C &amp; CE</td>
<td>(4,275)</td>
</tr>
<tr>
<td>- Marketable securities</td>
<td>(1,492)</td>
</tr>
<tr>
<td>- Government Securities</td>
<td>(746)</td>
</tr>
<tr>
<td>- Other</td>
<td>(746)</td>
</tr>
<tr>
<td><strong>Net financial position</strong></td>
<td>26,735</td>
</tr>
</tbody>
</table>

N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:
- the impact on Gross Financial Debt is equal to 2,338 €/mln (of which 370 €/mln on bonds)
- the impact on Financial Assets is equal to 1,662 €/mln.
Therefore, the Net Financial Indebtedness is adjusted by 676 €/mln.

N.B. The difference between total financial assets (€ 7,556 mln) and C&CE and marketable securities (€ 5,767 mln) is equal to € 1,789 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 1,440 mln, financial receivables for lease for € 177 mln, deposits beyond 3 months for € 180 mln and other credits for € 72 mln.

**Maturities and Risk Management**

**Average m/l term maturity:**
7.75 years (bond only 8.15 years)

**Fixed rate portion** on gross debt approximately **70.8%**

**Around 36% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and is **fully hedged**

**Cost of debt:** ~5.1 %
Domestic Fiber and LTE Coverage Trend

Fiber Coverage*

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q'15</td>
<td>32%</td>
</tr>
<tr>
<td>2Q'15</td>
<td>37%</td>
</tr>
<tr>
<td>3Q'15</td>
<td>40%</td>
</tr>
<tr>
<td>4Q'15</td>
<td>42%</td>
</tr>
<tr>
<td>1Q'16</td>
<td>45%</td>
</tr>
<tr>
<td>2Q'16</td>
<td>51%</td>
</tr>
<tr>
<td>3Q'16</td>
<td>55%</td>
</tr>
</tbody>
</table>

+15pp YoY

Today 2018

Coverage 56% ~84%

Today 2018

Population 95% 98%

Today 2018

* Household passed
Focus on Domestic Opex

€mln, % YoY

9M'15 reported
6,602

9M'15
6,156
non recurring items

9M'15
6,156
net of non recurring items

Volume Driven
+41

Market Driven

Process Driven & Other

Labour Costs

9M'16
5,902
net of non recurring items

9M'16
5,902
net of non recurring items

Non Recurring Items

Volume Driven:

-295 mln€, -7.6% YoY

Organic

-254 mln€, -4.1% YoY

Reported

-561 mln€, -8.5% YoY

Mainly charges and provisions for employee reduction plan

Including Compensation Recalibration and Solidarity

Compensation

Recalibration

Solidarity

Including Real Estate and G&A

Real Estate

G&A

Focus on Domestic Opex

€mln, % YoY

9M'15 reported
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Recalibration

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Real Estate

G&A

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Process Driven & Other

Labour Costs

9M'16
5,902
net of non recurring items

9M'16
5,902
net of non recurring items

Non Recurring Items

Volume Driven:

-295 mln€, -7.6% YoY

Organic

-254 mln€, -4.1% YoY

Reported

-561 mln€, -8.5% YoY

Mainly charges and provisions for employee reduction plan

Including Compensation Recalibration and Solidarity

Compensation

Recalibration

Solidarity

Including Real Estate and G&A

Real Estate

G&A

Focus on Domestic Opex

€mln, % YoY

9M'15 reported
6,602

9M'15
6,156
net of non recurring items

Volume Driven
+41

Market Driven

Process Driven & Other

Labour Costs

9M'16
5,902
net of non recurring items

9M'16
5,902
net of non recurring items

Non Recurring Items

Volume Driven:

-295 mln€, -7.6% YoY

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Compensation

Recalibration

Solidarity

Including Real Estate and G&A

Real Estate

G&A
## 9M’16 Domestic: Focus on Investments

### Total Domestic Capex

<table>
<thead>
<tr>
<th></th>
<th>9M’15</th>
<th>9M’16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>€2,297</td>
<td>€2,398</td>
</tr>
<tr>
<td><strong>Innovative</strong></td>
<td>€977</td>
<td>€1,186</td>
</tr>
<tr>
<td><strong>Traditional</strong></td>
<td>€1,320</td>
<td>€1,212</td>
</tr>
</tbody>
</table>

* Including 117 €m for 2G license renewal in 2015

### Innovative Capex Breakdown

<table>
<thead>
<tr>
<th></th>
<th>Network</th>
<th>IT</th>
<th>Real Estate</th>
<th>Comm. &amp; Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>81% of Innovative Capex</strong></td>
<td>€838</td>
<td></td>
<td></td>
<td></td>
<td>1,186</td>
</tr>
</tbody>
</table>

### Domestic Capex Highlights

- **Innovative Investments (+209 €m YoY)** driven by a faster pace in LTE, NGN and Cloud Services
- **81% of Innovative Capex and 83% of Traditional Capex** are Network and IT, indicating strong focus on Infrastructure
Domestic Capex Breakdown

1Q’16 vs 1Q’15

- License
  - 1Q’15: 117
  - 1Q’16: 384
  - % Innovative: 40%
- Traditional
  - 1Q’15: 338
  - 1Q’16: 394
  - % Innovative: 51%
- Innovative
  - 1Q’15: 222
  - 1Q’16: 394
  - % Innovative: 51%

2Q’16 vs 2Q’15

- License
  - 2Q’15: 458
  - 2Q’15: 415
  - % Innovative: 45%
- Traditional
  - 2Q’15: 372
  - 2Q’16: 382
  - % Innovative: 48%
- Innovative
  - 2Q’15: 384
  - 2Q’16: 410
  - % Innovative: 50%

3Q’16 vs 3Q’15

- License
  - 3Q’15: 407
  - 3Q’16: 413
  - % Innovative: 45%
- Traditional
  - 3Q’15: 384
  - 3Q’16: 410
  - % Innovative: 50%
- Innovative
  - 3Q’15: 384
  - 3Q’16: 410
  - % Innovative: 50%

* Excluding license from traditional investments
### Domestic - Cash Cost Efficiency Dashboard

<table>
<thead>
<tr>
<th>Category</th>
<th>Original ‘16-’18 Efficiency Target</th>
<th>Additional Efficiency ‘16-’18 Target</th>
<th>New Efficiency ‘16-’18 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Driven Costs</td>
<td>0.2 bln€</td>
<td>+0.12 bln€</td>
<td>0.32 bln€</td>
</tr>
<tr>
<td>Market Driven Costs</td>
<td>0.1 bln€</td>
<td>+0.13 bln€</td>
<td>0.23 bln€</td>
</tr>
<tr>
<td>Labour Costs</td>
<td>0.1 bln€</td>
<td>+0.1 bln€</td>
<td>0.2 bln€</td>
</tr>
<tr>
<td>Other Costs</td>
<td>-</td>
<td>+0.05 bln€</td>
<td>0.05 bln€</td>
</tr>
<tr>
<td><strong>Total Opex</strong></td>
<td><strong>0.4 bln€</strong></td>
<td><strong>+0.4 bln€</strong></td>
<td><strong>0.8 bln€</strong></td>
</tr>
<tr>
<td>Traditional</td>
<td>0.2 bln€</td>
<td>+0.3 bln€</td>
<td>0.5 bln€</td>
</tr>
<tr>
<td>NGN Optimization</td>
<td>-</td>
<td>+0.15 bln€</td>
<td>0.15 bln€</td>
</tr>
<tr>
<td>Real Estate &amp; Other</td>
<td>-</td>
<td>+0.15 bln€</td>
<td>0.15 bln€</td>
</tr>
<tr>
<td><strong>Total Capex</strong></td>
<td><strong>0.2 bln€</strong></td>
<td><strong>+0.6 bln€</strong></td>
<td><strong>0.8 bln€</strong></td>
</tr>
<tr>
<td><strong>Total Cash Cost Efficiency</strong></td>
<td><strong>0.6 bln€</strong></td>
<td><strong>+1.0 bln€</strong></td>
<td><strong>1.6 bln€</strong></td>
</tr>
</tbody>
</table>
### TIM Brasil - Cash Cost Efficiency Dashboard*

* Including 2018-2015 inflation & other structural changes
** After R$1.7bn 2018 run rate Efficiency Actions (Volume-Driven excluded) to offset Inflation & other structural changes

<table>
<thead>
<tr>
<th></th>
<th>Old Plan</th>
<th>New Plan</th>
<th>Δ NEW vs OLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEX</td>
<td>R$ -0.6bln</td>
<td>R$ 0.6bln**</td>
<td>R$ +1.2bln</td>
</tr>
<tr>
<td>CAPEX</td>
<td>R$ 0.5bln</td>
<td>R$ 0.9bln</td>
<td>R$ +0.4bln</td>
</tr>
<tr>
<td>TOTAL</td>
<td>R$ -0.1bln</td>
<td>R$ 1.5bln</td>
<td>R$ +1.6bln</td>
</tr>
</tbody>
</table>
For further questions please contact the IR Team

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