Telecom Italia Group
FY 2015 Preliminary Results & 2016-2018 Plan Update
Agenda

• Giuseppe Recchi – TI Chairman
  Opening Overview

• Marco Patuano – TI CEO
  FY 2015 Preliminary Results & 2016-2018 Plan Update

• Piergiorgio Peluso – TI CFO
  Financial Outlook

• Rodrigo Abreu – TIM Brasil CEO
  2016-2018 TIM Brasil Plan

• Q&A
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 the customer base, estimates regarding future growth in the different business lines and the global business, market share, 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 2015 preliminary financial results of the Telecom Italia Group and the data of the previous years provided for comparison were drafted in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “IFRS”).

The accounting policies and consolidation principles adopted in the preparation of the preliminary financial results for the 2015 FY and the 2016-2018 Industrial Plan have been applied on a basis consistent with those adopted in the Annual Financial Statements at 31 December 2014, to which reference should be made, except for the new standards and interpretations adopted by the Telecom Italia Group starting from 1 January 2015 which had no effects on the 2015 preliminary financial results and 2016-2018 Industrial Plan. Therefore, the latter financial information doesn’t take into account the new following standards that, among other things, are not yet endorsed by the European Union: IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases.

In addition, the 2015 preliminary financial results have not been verified by the independent auditors.

Starting from the fourth quarter 2013, the Sofora - Telecom Argentina group is classified as a disposal group (Discontinued operations/Non-current assets held for sale) and therefore the Sofora - Telecom Argentina group is no longer separately presented as a business unit.
Agenda

- FY 2015 Preliminary Results
- 2016 - 2018 Plan Update
- Financial Outlook
- 2016 - 2018 TIM Brasil Plan
- Appendix
## 2015 Group Figures and KPIs

### Organic Figures

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Italy</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td>19.7 bln€ -4.6%YoY</td>
<td>15.0 bln€ -2.3%YoY</td>
<td>4.6 bln€ -12.1%YoY</td>
</tr>
<tr>
<td><strong>Service Revenues</strong></td>
<td>18.3 bln€ -3.1%YoY</td>
<td>14.1 bln€ -2.3%YoY</td>
<td>4.2 bln€ -5.8%YoY</td>
</tr>
<tr>
<td><strong>Ebitda Organic</strong></td>
<td>8.1 bln€ -4.5%YoY</td>
<td>6.6 bln€ -4.9%YoY</td>
<td>1.5 bln€ -2.3%YoY</td>
</tr>
<tr>
<td><strong>Ebitda Reported</strong></td>
<td>7.0 bln€ -20.3%YoY</td>
<td>5.6 bln€ -20.4%YoY</td>
<td></td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>5.2 bln€ +11.9%YoY(2)</td>
<td>3.9 bln€ +40.1%YoY(3)</td>
<td>1.3 bln€ +18.5%YoY(4)</td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td>27.3 bln€</td>
<td>27.3 bln€</td>
<td></td>
</tr>
</tbody>
</table>

- **Group**: 110% of Efficiency Target was reached
- **Italy**: 45% Innovative, +10pp YoY
- **Brazil**: 61% Innovative, +9pp YoY

(1) Before non recurring items
(2) +25.1% YoY net of spectrum acquisitions in 2014 and in 2015
(3) +27.7% net of 2015 license acquisitions
(4) net of spectrum acquisitions in 2014 and in 2015
(5) urban population

---

**FY 2015 Preliminary Results & 2016-2018 Plan Update**

Marco Patuano
In 2015 TI continued to Lead Innovation in Italy and Brazil

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LTE Users</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>309</td>
<td>4.3x</td>
</tr>
<tr>
<td>FY'14</td>
<td>1,343</td>
<td>3.3x</td>
</tr>
<tr>
<td>FY'15</td>
<td>4,396</td>
<td>4.3x</td>
</tr>
<tr>
<td>LTE Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>FY'14</td>
<td>+37pp</td>
<td>+9pp</td>
</tr>
<tr>
<td>FY'15</td>
<td>77%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>4G site</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>1.9</td>
<td>27%</td>
</tr>
<tr>
<td>FY'14</td>
<td>+1.8k</td>
<td>+9pp</td>
</tr>
<tr>
<td>FY'15</td>
<td>3.7</td>
<td>36%</td>
</tr>
<tr>
<td>+23pp</td>
<td></td>
<td>59%</td>
</tr>
<tr>
<td><strong>LTE Coverage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>FY'14</td>
<td>+37pp</td>
<td>+9pp</td>
</tr>
<tr>
<td>FY'15</td>
<td>77%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Mobile BB Project</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>15</td>
<td>n.m.</td>
</tr>
<tr>
<td>FY'14</td>
<td>231</td>
<td>2.3x</td>
</tr>
<tr>
<td>FY'15</td>
<td>539</td>
<td>2.3x</td>
</tr>
<tr>
<td>+69</td>
<td></td>
<td>YoY</td>
</tr>
<tr>
<td><strong>Fiber Coverage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>FY'14</td>
<td>+12pp</td>
<td>+13pp</td>
</tr>
<tr>
<td>FY'15</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>39</td>
<td>n.m.</td>
</tr>
<tr>
<td>FY'14</td>
<td>125</td>
<td>5.9x</td>
</tr>
<tr>
<td>FY'15</td>
<td>194</td>
<td>5.9x</td>
</tr>
<tr>
<td>+69</td>
<td></td>
<td>YoY</td>
</tr>
<tr>
<td><strong>Wholesale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>15</td>
<td>n.m.</td>
</tr>
<tr>
<td>FY'14</td>
<td>24</td>
<td>5.9x</td>
</tr>
<tr>
<td>FY'15</td>
<td>139</td>
<td>5.9x</td>
</tr>
<tr>
<td>+69</td>
<td></td>
<td>YoY</td>
</tr>
<tr>
<td><strong>MMB Cities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'13</td>
<td>39</td>
<td>n.m.</td>
</tr>
<tr>
<td>FY'14</td>
<td>125</td>
<td>5.9x</td>
</tr>
<tr>
<td>FY'15</td>
<td>194</td>
<td>5.9x</td>
</tr>
<tr>
<td>+69</td>
<td></td>
<td>YoY</td>
</tr>
</tbody>
</table>

(1) Figure does not include 115k SULL (2) Urban population

FY 2015 Preliminary Results & 2016-2018 Plan Update

Marco Patuano
Italy: Service Revenues Performance supported by LTE and Fiber

Total Service Revenues grew QoQ...

FY’15 14,058 mln€

<table>
<thead>
<tr>
<th>1Q’15</th>
<th>2Q’15</th>
<th>3Q’15</th>
<th>4Q’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,435</td>
<td>3,505</td>
<td>3,539</td>
<td>3,579</td>
</tr>
</tbody>
</table>

...keeping a strong YoY uptrend

<table>
<thead>
<tr>
<th>1Q’15</th>
<th>2Q’15</th>
<th>3Q’15</th>
<th>4Q’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3,3%</td>
<td>-1,7%</td>
<td>-1,5%</td>
<td>-1,1%</td>
</tr>
</tbody>
</table>

Mobile hit parity in the last Quarter...

...while 4Q Fixed was affected by comparison items

<table>
<thead>
<tr>
<th>1Q’15</th>
<th>2Q’15</th>
<th>3Q’15</th>
<th>4Q’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4,2%</td>
<td>-2,5%</td>
<td>-1,5%</td>
<td>+0,1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1Q’15</th>
<th>2Q’15</th>
<th>3Q’15</th>
<th>4Q’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>-4,4%</td>
<td>-1,9%</td>
<td>-1,8%</td>
<td>-3,1%(1)</td>
</tr>
</tbody>
</table>

(1) YoY performance incorporates Dec. 2015 wholesale prices revision & Nov. 2014 monthly rental fee increase

FY 2015 Preliminary Results & 2016-2018 Plan Update

Marco Patuanò
# Mobile Parity and Beyond: a Quantum Leap since 2014

## Mobile Total Revenues

<table>
<thead>
<tr>
<th></th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY</td>
<td>-2.0%</td>
<td>-2.2%</td>
<td>+1.5%</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Δ YoY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weight of Innovative on Total Services</td>
<td>35.6%</td>
<td>37.5%</td>
<td>38.7%</td>
<td>40.9%</td>
</tr>
</tbody>
</table>

## Mobile Service Revenues

<table>
<thead>
<tr>
<th></th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY</td>
<td>1.053</td>
<td>1.109</td>
<td>1.170</td>
<td>1.184</td>
</tr>
<tr>
<td>Δ YoY</td>
<td>+56 mln€ QoQ</td>
<td>+61 mln€ QoQ</td>
<td>+14 mln€ QoQ</td>
<td></td>
</tr>
</tbody>
</table>

## ARPU / MIX

- 1Q'15: -3.4% YoY, +10.7pp YoY '15vs'14
- 2Q'15: -2.0% YoY, +10.8pp YoY '15vs'14
- 3Q'15: -0.4% YoY, +5.6pp YoY '15vs'14
- 4Q'15: -1.5% YoY, +5.8pp YoY '15vs'14

## CB

- 1Q'15: -0.8% YoY '15vs'14
- 2Q'15: -2.5% YoY '15vs'14
- 3Q'15: -1.5% YoY '15vs'14
- 4Q'15: +0.1% YoY '15vs'14

## YOY Innovative - Traditional Service

- 1Q'15: -4.2% YoY '15vs'14
- 2Q'15: -14.9% YoY '14vs'13
- 3Q'15: -13.3% YoY '14vs'13
- 4Q'15: -7.1% YoY '14vs'13

FY 2015 Preliminary Results & 2016-2018 Plan Update

Marco Patuano
Fixed: Progressive Build-Up of BB Net Adds Sets the Tone

**Fixed Service Revenues**

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abs</td>
<td>2,595</td>
<td>2,614</td>
<td>2,592</td>
<td>2,572</td>
</tr>
<tr>
<td>YoY '000</td>
<td>-4.4%</td>
<td>-1.9%</td>
<td>-1.8%</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

FY'15 Total: 10,372 mln€

**BroadBand Service Revenues**

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abs</td>
<td>418</td>
<td>430</td>
<td>427</td>
<td>437</td>
</tr>
<tr>
<td>YoY '000</td>
<td>+5.7%</td>
<td>+6.8%</td>
<td>+3.9%</td>
<td>+5.8%</td>
</tr>
</tbody>
</table>

FY'15 Total: 1,712 mln€

**Fixed Access**

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abs</td>
<td>12,283</td>
<td>12,080</td>
<td>11,907</td>
<td>11,742</td>
</tr>
<tr>
<td>YoY '000</td>
<td>-14</td>
<td>-4</td>
<td>-173</td>
<td>-165</td>
</tr>
</tbody>
</table>

Quarterly change in line losses 2015 vs 2014

**Total BroadBand Net Adds**

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB customer base</td>
<td>6.945</td>
<td>6.971</td>
<td>6.984</td>
<td>7.023</td>
</tr>
<tr>
<td>QoQ Net Adds BB Flat</td>
<td>+58</td>
<td>+68</td>
<td>+37</td>
<td>+67</td>
</tr>
<tr>
<td>o/w fiber</td>
<td>+59</td>
<td>+84</td>
<td>+61</td>
<td>+104</td>
</tr>
</tbody>
</table>

FY 2015 Preliminary Results & 2016-2018 Plan Update

Marco Patuano
Fixed: Focus on Consumer BB Performance

TIM Consumer Fixed Access Performance

New Lines
- QoQ, ‘000
- FY’15 +247k, +5.4% YoY
- Growing trend

Winback
- +4 -1 -14 +8
- Stable trend

1Q’15 2Q’15 3Q’15 4Q’15

TIM BB Flat Customer Base Growth

Fiber 2015
- FY’15 +247k, +5.4% YoY
- Fiber-Building Advantage: TIM overperformed the Total of Other Licensed Operators in 2015

BB CB Net Adds Benchmark - FY’15 YoY

- Constant QoQ improvement in Fixed New Lines trend
- Sound net adds performance in flat BroadBand segment mirrored by a strong fiber take-up (FY’15 +252k vs ’14)
- The Fiber-Building Advantage: TIM overperformed the Total of Other Licensed Operators in 2015

FY 2015 Preliminary Results & 2016-2018 Plan Update
Marco Patuanò
Convergence & Video Content Update

**Convergence**

**Benchmark on pay-per-use fixed voice pricing**

<table>
<thead>
<tr>
<th>ARPU</th>
<th>Churn Rate</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice pay-per-use</td>
<td>30.2</td>
<td>1.3%</td>
<td>0.9%</td>
<td>223</td>
<td>269</td>
</tr>
<tr>
<td>Smart Mobile</td>
<td>35.1</td>
<td>-0.4pp</td>
<td></td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>

**Benchmark on flat fixed voice pricing**

<table>
<thead>
<tr>
<th>ARPU</th>
<th>Churn Rate</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Flat</td>
<td>36.5</td>
<td>1.3%</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart Casa</td>
<td>42.2</td>
<td>-0.6pp</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Multimedia**

**TV Customer Base**

<table>
<thead>
<tr>
<th></th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIM Vision Fixed</td>
<td>279</td>
<td>325</td>
<td>341</td>
<td>530</td>
</tr>
<tr>
<td>TIM Vision Mobile+SKY</td>
<td>56</td>
<td>56</td>
<td>58</td>
<td>155</td>
</tr>
</tbody>
</table>

- From Sept. '15 to YE, 130k convergent clients opted for Video Content
- TIM SKY sharply up in December (+18k), standing at 42K at YE
- Total TV Customer base at YE: 530k users

FY 2015 Preliminary Results & 2016-2018 Plan Update

Marco Patuano

(1) "Smart Mobile" (adsl flat, pricing voice pay-per-use, sim mobile with traffic and data included)

(2) "Smart Casa" (adsl flat, flat voice f-f & f-m, sim mobile with traffic and data included)
Business Segment: Data, Cloud and IT Growth continues

Service Revenues, Reported data, YoY

**Communicate**
FY'15 2,096 mln€

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>541</td>
<td>534</td>
<td>525</td>
<td>496</td>
</tr>
</tbody>
</table>

FY'15 -10.8%

Fixed Voice, Mobile Voice, SMS. Monthly Rental Fee

**Connect**
FY'15 1,698 mln€

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>414</td>
<td>425</td>
<td>426</td>
<td>433</td>
</tr>
</tbody>
</table>

FY'15 +0.7%

Fixed & Mobile Data Transmission, IT Network Management

**Compute**
FY'15 326 mln€

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>74</td>
<td>82</td>
<td>80</td>
<td>90</td>
</tr>
</tbody>
</table>

FY'15 +5.6%

Infrastructure Management, IT Device Management

**IT Solutions**
FY'15 113 mln€

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>26</td>
<td>29</td>
<td>27</td>
<td>31</td>
</tr>
</tbody>
</table>

FY'15 +20.7%

IT Application, Trust, Parallels
Domestic Capex

Domestic Capex Breakdown

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,783</td>
<td>3,900</td>
</tr>
<tr>
<td>C One-offs</td>
<td>9</td>
<td>522</td>
</tr>
<tr>
<td>B Traditional</td>
<td>1.629</td>
<td>1.623</td>
</tr>
<tr>
<td>Commercial</td>
<td>15</td>
<td>26</td>
</tr>
<tr>
<td>&amp; Innovative</td>
<td>1,130</td>
<td>1,729</td>
</tr>
</tbody>
</table>

Building the future

A Building the future

- Total Domestic Capex: 2,783 Mln€ in 2014, 3,900 Mln€ in 2015
- C One-offs: 9 Mln€ in 2014, 522 Mln€ in 2015
- B Traditional: 1.629 Mln€ in 2014, 1.623 Mln€ in 2015
- Commercial: 15 Mln€ in 2014, 26 Mln€ in 2015

Maintaining the existing

- Total Domestic Capex: 2,783 Mln€ in 2014, 3,900 Mln€ in 2015
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One-offs

- Total Domestic Capex: 2,783 Mln€ in 2014, 3,900 Mln€ in 2015
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FY 2015 Preliminary Results & 2016-2018 Plan Update

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Agenda

• FY 2015 Preliminary Results
• 2016 - 2018 Plan Update
• Financial Outlook
• 2016 - 2018 TIM Brasil Plan
• Appendix
Improving Group Operating and Financial Profile

**Continue Domestic Progress**

*Mobile*
- Service Revenues Growth
- Plan does not incorporate any Potential Upside from in-Country Consolidation

*Fixed*
- KPI growth building-up in 2016
- Service Revenues towards stabilization

**Accelerate Capex to fuel Innovation and Savings Project**

**Reinforce Mobile Strategy**
- Innovate the commercial offer and push on Data adoption
- Increase Efficiency
- There is scope for a Mobile Challenger; FMC still distant. TIM will explore non-organic options only if accretive for shareholder value

**Focus on Capex for Mobile Data Expansion**

**Group Financial Discipline**
- Opex Reduction
- Disposal of Inwit Stake
- 1.3 bln€ Balance Sheet Strengthening from Conversion of Mandatory
- Completion of Sale of Telecom Argentina

Ensure Strong Financial Discipline along the Plan horizon
Continue Pursuing attractive refinancing opportunities

**Domestic Organic Ebitda Stabilization in 2016 and Growth in 2017/’18**

**Improve Revenue Market Share and Ebitda Margin**

**Further Upside**

**Risk and Cost Reduction**

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The Italian TLC Services Market 2016-’18 Expected Evolution

The Italian TLC Services Market is set to progressively improve in the next years, going back to growth in 2018

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• Grasp Data Growth and strengthen our Calling Customer base profile leveraging on our Network Quality
• Work to further combine our unique Network / Sales Channel assets:
  1. More Convergence
  2. Less Churn
  3. More Data Exposure = Less Revenue volatility & more ARPU assurance
• Maintain/Calibrate Pull - Push Commercial model to ensure market leadership

**Smartphone penetration on Consumer Calling CB**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>57%</td>
<td>&gt;=20pp</td>
</tr>
<tr>
<td>Other Handsets</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

**% CB Calling with data bundle**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>80%</td>
<td>&gt;=10pp</td>
</tr>
<tr>
<td>Consumer</td>
<td>53%</td>
<td>&gt;=20pp</td>
</tr>
</tbody>
</table>

**Goals**

• Revenue Future-Proofing
• Improve Total ARPU
• Service Revenues Growth from 2016
Growing BroadBand penetration: catching the upside

Data Demand is booming due to:
1. Video
2. Changing Household Habits
3. Business Requirements evolution

Building and Turning-on NGAN: we are the Market Shaper both in Offer and Infrastructure

Consumer
• Pursue the Data Surge:
  • TI in Attack-Mode to Grow in Lines / Customer Base
  • Better Connectivity and More Video
  • Streamline Delivery
• Act on Network / Channel to:
  • Increase convergent Clients
  • X – Sell F-M / M-F

Business
• Invest to deliver superior Data Quality
• Commercial-driven defense of Traditional
• Organic Growth and Alliances on Cloud / ICT
• Push on Multisided Platform Strategy, opening to Developers

Goals
• Fixed Line Losses reduction from 2016, moving towards parity
• 2018 BB Retail lines > 8 mln
• Total 2018 Fiber Customers (Retail + NGN Wh.) ~ 5mln (>7x YE’15)
• 2018 Convergent clients with content: ~1.5 mln (3x YE’15)
Video drives Data Traffic Growth

Monthly Volume Consumption in 2015 on TI Network

Weekly Data traffic Consumption

Expected Fiber CB Evolution:
1mln more Fiber Customers vs 2015-'17 Plan

<table>
<thead>
<tr>
<th></th>
<th>Total Fiber Wholesale</th>
<th>TI Retail NGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>674</td>
<td>139</td>
</tr>
<tr>
<td>Mobile</td>
<td>535</td>
<td></td>
</tr>
</tbody>
</table>

BB ARPU

Cagr '15-'18: Positive Mid single digit

More than 5x

- Strong growth in data traffic in Fixed (+37% YoY) & Mobile (+45% YoY)
- Fixed represents 95% of total data traffic in 2015
- Video service demand is the key driver of consumption growth
- Mobile networks will be less & less able to support this expansion
Completing the Picture: stronger in ICT, more International, turnaround in Wholesale

**Domestic ICT**

- Economic recovery and enterprises digitization needs will support market recovery, driven by Cloud Services
- Defend value of traditional services
- Address Vertical segments opportunities, both through Olivetti/TIDS and inorganic options

**Sparkle**

Defend and Consolidate
- Optimizing current business management: Capture Traffic, Improve Efficiency, Quality and Caring

Reinforce Infrastructure & VAS
- Grow & Transform the Network
- Expand Data Centers

ICT Transformation
- Evaluate both organic & other options to:
  - manage/accelerate transformation
  - address new customer segment
  - enrich service portfolio

**Wholesale**

Equivalence 2.0
- The execution of our New Full Equivalence Model enables:
  - A unique interface towards TI and OLOs
  - End-to-End quality control of Delivery and Assurance processes

**Market Value**

\[ \text{Bln€} \]

\[
\begin{array}{c|c|c|c|c}
\text{ICT addressable} & \text{2015} & \text{2018} & \text{Cagr '15-'18: Positive Mid single digit} \\
\hline
\text{Services} & \text{14%} & \text{14%} & \text{~+5pp} \\
\text{Products} & \text{1.3 Bln€} & \text{1.1 Bln€} & \text{Low single digit} \\
\end{array}
\]

FY 2015 Preliminary Results & 2016-2018 Plan Update

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Domestic: Accelerating, not Increasing Capex

‘16–18 Domestic Capex Plan <12 Bln€

Δ ~+1.9 Bln€ vs ’15–’17 Plan

Old Capex Plan Trajectory

New Capex Plan Trajectory

Total Capex 3,900

One-offs

Exploit Special Opportunities

~+0.2 Bln€ vs ’15–’17 Plan

Maintaining the existing

Reduce Running Costs

~0.1 Bln€ vs ’15–’17 Plan

Building the future

Leverage on our Unique Positioning

~+1.7 Bln€ vs ’15–’17 Plan

TI Capex acceleration – to be reversed after 2018 - is limited in time with near-term tangible results:

• Complete the future-proofing of our Networks, opening to material long-running efficiencies
• Repositioning our Company to address new global digital strategy / full IP infrastructure platform
• Further increase TI’s competitive edge against peers
• Capex investment carefully selected with returns above TI’s minimum hurdle rate / return on investment criteria, supporting EBITDA and EBITDA-Capex performance

(1) Net of spectrum acquisition equivalent to 347 mln€

FY 2015 Preliminary Results & 2016-2018 Plan Update

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## The Detail of our Innovative Capex Acceleration

### Building the future

Δ Innovative Capex ~+1.7 Bln€

<table>
<thead>
<tr>
<th>Segment</th>
<th>Capex (Bln€)</th>
<th>Change vs Old Plan</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGN</td>
<td>~3.6</td>
<td>(+0.7)</td>
<td>84% Fiber Coverage is the Key Enabler of our Plan; Less Costs from an efficient Core Network</td>
</tr>
<tr>
<td>LTE</td>
<td>~1.2</td>
<td>(+0.3)</td>
<td>TIM 4G covers Italy and drives ~70% LTE penetration</td>
</tr>
<tr>
<td>Cloud &amp; Platforms</td>
<td>~0.7</td>
<td>(+0.2)</td>
<td>Further leeway into Adjacent Markets for both Households and Entreprises</td>
</tr>
<tr>
<td>Transformation</td>
<td>~0.5</td>
<td>(~flat)</td>
<td>Further evolution towards an All-IP Network; Less Costs from Decommissioning</td>
</tr>
<tr>
<td>Commercial</td>
<td>~0.3</td>
<td>(+0.3)</td>
<td>Commercial investments on fiber-related devices (modems, set-top boxes etc.) to foster BB adoption</td>
</tr>
<tr>
<td>Sparkle</td>
<td>~0.4</td>
<td>(+0.2)</td>
<td>Evolve Business model from «Communicate &amp; Data Trasport» into «Connect &amp; Enable Digital Services»</td>
</tr>
</tbody>
</table>

**Making the transition to a Platform Company happen: TI is the Gateway to a Digital Italy**

(1) Net of One-Offs Capex
LTE: Further Revenue Traction from 98% Coverage

LTE Population Coverage by Speed Peak

- 88% in 2015
- 95% in 2016
- ~98% in 2017
- 75 Mps
- 110-150 Mps*
- 225 Mps**
- 300 Mps***
- +10pp 2018 vs 2015
- +30pp 2018 vs 2015

Available in the 8 main cities

Innovative ARPU (€/month)

- 4.396 in 2015
- >2x
- 4.8 in 2018

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**NGN Coverage moves up to 84%**

NGN Coverage Evolution⁽¹⁾

- **FTTH Technology coverage = ~20%**
- **84%**
- **28%**
- **42%**
- **2x**
- **75%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>28%</td>
</tr>
<tr>
<td>2015</td>
<td>42%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>75%</td>
</tr>
<tr>
<td>2018</td>
<td>84%</td>
</tr>
</tbody>
</table>

- **adopter new FTTCab technologies to support up and above 100 Mbit/s**
- **Progressive FTTH coverage in areas that can guarantee an average high-single digit IRR**
- **Speed up our NGN Plan: TI is the reference company for Fiber in Italy and defends its strong access leadership**
- **100% of «Cluster A» and «Cluster B» cities and towns will be covered with TI Fiber by 2018**
- **Support platform-based new services (Entertainment & ICT)**

⁽¹⁾ Passed

FY 2015 Preliminary Results & 2016-2018 Plan Update

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## Group Operating and Financial Outlook

Organic data

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Domestic</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Targets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex(1)</td>
<td></td>
<td>&lt; 12 Bln€</td>
<td>&lt; 14 BlnR$</td>
</tr>
<tr>
<td>Cum. ‘16-’18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2018 Net Debt Adj./Ebitda</strong></td>
<td>Below 3x(2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes:

1. Excluding Domestic and Brazilian Frequencies

**FY 2015 Preliminary Results & 2016-2018 Plan Update**

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Domestic 2015 Ebitda performance

Domestic Organic Ebitda (1)

Domestic Reported Ebitda

2015 Non Recurring Items

Employee Reduction Plan
Provisions & Costs for Risks and Settlements
Total non recurring items

FY 2015 Preliminary Results & 2016-2018 Plan Update
Piergiorgio Peluso

(1) Organic= Before non recurring Items
110% of FY 2015 Efficiency Target Reached

<table>
<thead>
<tr>
<th>Min€</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opex Reported</td>
<td>8,305</td>
<td>9,434</td>
<td>+1,129</td>
</tr>
<tr>
<td>Non recurring items</td>
<td>-116</td>
<td>+1,028</td>
<td></td>
</tr>
<tr>
<td>Opex Organic(1)</td>
<td>8,421</td>
<td>8,406</td>
<td></td>
</tr>
<tr>
<td>Process/ Asset Driven Costs</td>
<td>1.937</td>
<td>1.811</td>
<td>-0.126</td>
</tr>
<tr>
<td>Market/ Customer Driven Costs</td>
<td>1.076</td>
<td>1.092</td>
<td>+0.016</td>
</tr>
<tr>
<td>Labour Costs</td>
<td>2.717</td>
<td>2.777</td>
<td>+0.060</td>
</tr>
<tr>
<td>Volume/Revenues Driven Costs</td>
<td>3.138</td>
<td>3.261</td>
<td>+0.122</td>
</tr>
<tr>
<td>Efficiency Area</td>
<td>-447</td>
<td>-535</td>
<td></td>
</tr>
</tbody>
</table>

Mln€

-116 mln€ excluding Solidarity Impact

-126 mln€ excluding Expo

-16 mln€ excluding Expo

-110 mln euro vs FY’14

Opex Organic(1)
**Speeding-up Investments while safeguarding OFCF Generation**

**€ Bln**

<table>
<thead>
<tr>
<th>FY'15</th>
<th>ΔWC Domestic</th>
<th>Employee Reduction Plan</th>
<th>Provisions &amp; Costs for Risks and Settlements</th>
<th>VAT + Other Effects</th>
<th>ΔWC Brazil</th>
<th>License 700Mhz Clean up costs</th>
<th>Reduction in handset volume</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+0.6</td>
<td>+0.4</td>
<td>+0.6</td>
<td>-0.4</td>
<td>-0.4</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

**Reported EBITDA**

<table>
<thead>
<tr>
<th>Mln€</th>
<th>7,004 (^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Capex((^{(1)})) -5,197</td>
<td>5.567</td>
</tr>
<tr>
<td>Capex</td>
<td>-3,553</td>
</tr>
<tr>
<td>Licenses(^{(2)})</td>
<td>-1,260</td>
</tr>
<tr>
<td>OWC</td>
<td>1,974 (^{(1)})</td>
</tr>
<tr>
<td>OpFCF</td>
<td>2,270</td>
</tr>
</tbody>
</table>

\(^{(1)}\) TI Group figures include TI Media & other subs. \(^{(2)}\) includes 29 mln€ for spectrum clean up in Brazil

**FY 2015 Preliminary Results & 2016-2018 Plan Update**

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Net Debt Evolution

Profit from Operations (Sofora)

-1,974

Cash Items & Other Impacts: -874 mln €

-1,520 +1,875 +204 +541 +1,258 +243 +627 mln €

-676

o/w Bond Buy-Back +391

-854

o/w License Fee +220

-1,520 +1,875 +204 +541 +1,258 +243 +627 mln €

+627 mln €

27.278

(1) Includes: 1,478 mln€ from Financial Leasing (IAS 17) of Domestic Real Estate transformation project and Brazilian towers lease-back; (186) mln€ unsecured Equity-link bond and (34) mln€ financial accruals

FY 2015 Preliminary Results & 2016-2018 Plan Update

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Refinancing at Lower Rates

Debt Maturities and liquidity Margin

Liquidity Margin

<table>
<thead>
<tr>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Beyond 2020</th>
<th>Total M/L Term Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.684</td>
<td>3.250</td>
<td>3.003</td>
<td>4.589</td>
<td>2.646</td>
<td>14.421</td>
<td>30.593</td>
</tr>
<tr>
<td>7/4</td>
<td>913</td>
<td>1.055</td>
<td>1.207</td>
<td>1.379</td>
<td>2.491</td>
<td>21.647</td>
</tr>
<tr>
<td>5.047</td>
<td>7.000</td>
<td>11.930</td>
<td>21.647</td>
<td>8.946</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2011-2016 Bond Issuance Yields

Highlights

- TI’s funding costs on the bond markets have significantly lowered since 2013
- In January 2015 and 2016 TI has printed its two lowest coupon ever with two 8-year issuances, January 2015 @ 3.25% and January 2016 @ 3.679% respectively
- ECB QE plans further support favourable funding environment
- This context will continue offering TI significant refinancing opportunities

€ 30.593 mln is the nominal amount of outstanding medium-long term debt. By adding Mandatory Convertible Bond (€ 1.300 mln), discontinued operations (€ 348 mln), IAS adjustments (€ 1.454 mln) and current financial liabilities (€ 908 mln), the gross debt figure of € 34.602 mln is reached.
Efficiencies to be sought beyond Targets

Efficiency Target

Run Rate @’18
~0.3 Bln€

- Process/ Asset Driven Costs
  - 1.811
  - -0.2 Bln€

- Market/ Customer Driven Costs
  - 1.092
  - -0.1 Bln€

- Labour Costs
  - 2.777
  - -0.1 Bln€

- Volume/Revenues Driven Costs
  - 3.261
  - 21%
  - -535

- Other provision/income

Additional Cost Reduction Area

- Solidarity Contract ’16-’18 for 2,600 surplus employees without redundancies
- Voluntary early redundancy plan for approximately 3.3 thousands employees
- Additional reduction of ~250 employees

Run Rate @’18
~0.1 Bln€

Slight increase due to higher digital revenues and growth of related content/IT costs
Labour Cost Evolution 2018 vs 2015

reported Labour Cost Reduction -0.1 Bln€

Labour Cost Reduction ‘18 vs ‘15
-0.2 Bln€

Cost Reduction ‘18 vs ‘15
-0.23 Bln€

Cost Increase ‘18 vs ‘15
+0.06 Bln€

Net impact of the reversal to the Income statement of prepaid expenses related to personnel costs. These prepaid expenses are related to activities that generate long-term benefits (eg. Network Delivery). The Prepaid costs deferred over the 3-year Plan are decreasing due to efficiency in delivery, while the amount subject to reversal to income statement derived from the costs incurred in previous years remains relatively stable, with a negative net impact on personnel costs.
Net Debt Evolution: Temporary Capex Acceleration is combined with an Appropriate 2016 -2018 Free Cash Flow

**2014 - 2015**
- ~0.9 Bln€ of deleverage before Real Estate-related IAS17 impact
- Average debt reduction of ~500€Mln per year before 1.3 Bln€ Mandatory Convertible (Nov. '16)

**Plan 2016 – 2018**
- Average debt reduction of ~500€Mln per year before 1.3 Bln€ Mandatory Convertible (Nov. '16)

- Net Debt/Ebitda Ratio Below 3x in 2018
- DPS BoD proposal for 2015 (cash 2016)
- Ordinary Shares: Zero
  Saving Shares: minimum, according to statutory obligations
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Brazil 2016-18: Meeting the Challenges

Protecting results in a tougher Macroeconomic Scenario…

... and adapting fast to capture opportunities in a reshaped industry context

Real GDP (% YoY)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1.8%</td>
<td>2.7%</td>
<td>0.1%</td>
<td>-3.5%</td>
<td>-3.8%</td>
<td>0.0%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Inflation Rate (%)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>5.8%</td>
<td>5.9%</td>
<td>6.4%</td>
<td>10.7%</td>
<td>7.0%</td>
<td>5.4%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

R$/USD Exchange Rate

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Rate</td>
<td>2.04</td>
<td>2.34</td>
<td>2.66</td>
<td>3.90</td>
<td>4.25</td>
<td>4.30</td>
<td>4.31</td>
</tr>
</tbody>
</table>

MTR Glide Path (R$/min)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.34</td>
<td>0.30</td>
<td>0.23</td>
<td>0.16</td>
<td>0.10</td>
<td>0.06</td>
<td>0.03</td>
</tr>
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</table>

SIM / Unique User

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>User</td>
<td>1.65</td>
<td>1.72</td>
<td>1.81</td>
<td>1.89</td>
<td>2.03</td>
<td>2.00</td>
<td>1.96</td>
<td>1.94</td>
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</table>

Mobile Market Revenues (R$ Bln)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Voice</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
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<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
</tr>
<tr>
<td>Data</td>
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<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
<td>39.7</td>
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<td>39.7</td>
</tr>
</tbody>
</table>

Source: latest IMF estimates for GDP; Internal Estimates for Exchange Rates forecast, Inflation, MTR Value, SIM/user and market revenues trend
# Highlights of the 2016-2018 Plan

## Context changes

- **Telecom industry transformation from Voice to Data**
- **Market maturity and user behavior change impacting Customer Base and Positioning**
- **Challenging Macroeconomic Scenario**
- **Infrastructure requirements evolving with Data and 4G**

## Key strategic priorities

1. **Reset positioning - Network Quality / Offer Innovation / Customer Experience**
2. **Protect value of Prepaid base - From Mkt Share to Revenue Share**
3. **Increase share of Mid/High Value customers - focus on higher value**
4. **Stabilize Corporate - accelerate Top/Enterprise and turnaround SMB**
5. **Sustain Network investment with prioritized approach and focus on 4G**
6. **Focus on Efficiency as a structural element**

---

**FY 2015 Preliminary Results & 2016-2018 Plan Update**

Rodrigo Abreu
Market Dynamics leading to slower growth in Customer Base with better quality and ARPU

Changing customer profile: increasing value

- Focus on recurring clients: decoupling method of payment and value
- Smaller Prepaid base, but higher ARPU and better quality profile
- Controle as key source of value generation as users concentrate spending on TIM
- Postpaid stabilization and growth as a result of new offers and business turnaround
- Constant Revenue Market Share growth during plan period
Broadening our Data Opportunity

4G coverage leadership

4G Total Population Coverage¹

<table>
<thead>
<tr>
<th>Year</th>
<th>P5</th>
<th>P4</th>
<th>P3</th>
<th>P1</th>
<th>TIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>46%</td>
<td>47%</td>
<td>48%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Urban population

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27%</td>
<td>36%</td>
<td>59%</td>
</tr>
</tbody>
</table>

Data adoption drives change of revenue profile

Data Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>2016e</th>
<th>2017e</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Smartphone/Base</td>
<td>49%</td>
<td>55%</td>
<td>59%</td>
<td>63%</td>
<td>68%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Data Users/Base</td>
<td>45%</td>
<td>45%</td>
<td>43%</td>
<td>43%</td>
<td>48%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3G & 4G Users Evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>4G (MB)</th>
<th>3G (MB)</th>
<th>BOU (MB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0,0</td>
<td>12,3</td>
<td>164</td>
</tr>
<tr>
<td>2013</td>
<td>0,4</td>
<td>23,6</td>
<td>234</td>
</tr>
<tr>
<td>2014</td>
<td>2,0</td>
<td>37,5</td>
<td>306</td>
</tr>
<tr>
<td>2015</td>
<td>7,1</td>
<td>37,5</td>
<td>394</td>
</tr>
</tbody>
</table>

Data Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>Voice</th>
<th>Data²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>58%</td>
<td>50%</td>
</tr>
<tr>
<td>2016e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Coverage calculated by Telecom website (www.teleco.com.br)

² Data = Data connectivity, Content, Other VAS, SMS

FY 2015 Preliminary Results & 2016-2018 Plan Update
Rodrigo Abreu
Capex Cycle: accelerating 3G and 4G data coverage

After the 2015-16 cycle, Capex intensity* to gradually decline

4G coverage to overtake 3G

- Leadership in 4G Coverage to match 3G coverage in 2 years
- Competitive 3G coverage in all States
- Refarming of 1.8 GHz as a short-term competitive advantage

Capex Plan (R$)

Urban Population covered

Capex per Technology

Number of sites (000)

- Fast transition from 3G to 4G: better quality and more efficiency
- FTTS to support 4G reaching >80% of total traffic

* Excluding Spectrum

FY 2015 Preliminary Results & 2016-2018 Plan Update
Rodrigo Abreu
Growing support from Cost Efficiency

2015-17 Efficiency Plan + Network Efficiencies

> R$1 Bln

Dec/17

Efficiency Drivers

Optimization / Control
Strategic Sourcing
Organization/ Rightsizing and Efficiency
Process Improvement
Business Model Changes

Impact / Complexity

Dec/15

~ 35%

Jan/15

1. Zero Leased Lines Project
2. Rental & Power
3. In/Outsourcing and HR projects
4. Sales & Marketing initiatives
5. Process rationalization & automation
6. Zero Based Budget
7. Strict disconnection policy

Improving EBITDA Margin and FCF

EBITDA Margin (% on Net Revenues)

2013 2014 2015 2016e 2017e 2018e

- 26,1% 28,4% 31,5%

- Cost efficiencies defend EBITDA performance
- Long-term margin expansion as revenues mix turns to data
- FCF will improve as pressures on EBITDA and Capex decline

FY 2015 Preliminary Results & 2016-2018 Plan Update
Rodrigo Abreu
## Guidance Summary

Targets reaffirm commitment to long-term value creation for all shareholders

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenues</td>
<td>Data as main revenue component from 2016, focus on Revenue Share</td>
</tr>
<tr>
<td>Opex</td>
<td>&gt; R$1 bln savings in 2015-17</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>Margin expansion for every year between 2016-18</td>
</tr>
<tr>
<td>Capex(^*)</td>
<td>&lt; R$14 bln between 2016-18</td>
</tr>
</tbody>
</table>

\(^*\) Excluding Spectrum
Agenda

- FY 2015 Preliminary Results
- 2016 - 2018 Plan Update
- Financial Outlook
- 2016 - 2018 TIM Brasil Plan
- Appendix
Focus on FY'15 Opex Efficiency

2014 Industrial Costs Real Estate G&A and others 2015

Process/ Asset Driven Costs

1.937
-3
-72
-51
1.811

Operational -12 mln€
Rental & Power +9 mln€
Office Spaces -69 mln€
Facilities -3 mln€

Market/ Customer Driven Costs

1.076
+16
+25
-25
1.092

Commissioning & Customer Care Advertising Other Commercial 2015

-16 mln€ excluding Expo
Expo 2015 +32 mln€
Focus on Volume Driven & Labour Costs

Volume/Revenues Driven Costs

- 2014
- Interconnection
- Equipment
- Other Volume Costs
- 2015

Δ VAS Revenues +11 mln€
Δ Margin -1 mln€
Other COG’s +43 mln€

Δ Equipment Revenues -26 mln€
Δ Margin -105 mln€

Labour Costs

- 2014
- Solidarity Impact
- YoY Salary Increase & others
- Efficiency on labour
- 2015

+60 mln€

FY 2015 Preliminary Results & 2016-2018 Plan Update
Marco Patuano - Piergiorgio Peluso – Rodrigo Abreu
Domestic Mobile KPIs

‘000, YoY, mln€

**Mobile Customer Base**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>TIM M/S</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>32.2%</td>
<td>32.3%</td>
<td>32.3%</td>
<td>32.4%</td>
</tr>
<tr>
<td></td>
<td>ARPU</td>
<td>11.3</td>
<td>11.9</td>
<td>12.5</td>
<td>12.8</td>
</tr>
</tbody>
</table>

**Mobile BB Users**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>LTE Users</th>
<th>Mobile Internet Users</th>
<th>1Q'15</th>
<th>2Q'15</th>
<th>3Q'15</th>
<th>4Q'15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.677</td>
<td>8.091</td>
<td>7.782</td>
<td>7.117</td>
</tr>
</tbody>
</table>

**ARPU & Churn**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ARPU Reported</th>
<th>Churn Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q'15</td>
<td>11.3</td>
<td>2.1%</td>
</tr>
<tr>
<td>2Q'15</td>
<td>11.9</td>
<td>1.9%</td>
</tr>
<tr>
<td>3Q'15</td>
<td>12.5</td>
<td>1.9%</td>
</tr>
<tr>
<td>4Q'15</td>
<td>12.8</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

**Innovative Revenues**

<table>
<thead>
<tr>
<th>FY'15</th>
<th>1,728 mln€</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% LTE on Mobile BB Users

<table>
<thead>
<tr>
<th>Quarter</th>
<th>17.2%</th>
<th>24.8%</th>
<th>30.6%</th>
<th>38.2%</th>
</tr>
</thead>
</table>

**FY 2015 Preliminary Results & 2016-2018 Plan Update**
Marco Patuano - Piergiorgio Peluso – Rodrigo Abreu
CB Stabilization and Competitive Dynamics

TIM MNP Balance

2015
-28
2014
-38
1Q 2Q 3Q 4Q

Focus on Fourth Quarter

Oct Nov Dec
-5 -28 +1 +2
-31

Total MNP Market

2013 4.029
2015 3.542 4.292
2014 2.870

Δ 2015 vs 2014

FY 2015 Preliminary Results & 2016-2018 Plan Update
Marco Patuano - Piergiorgio Peluso – Rodrigo Abreu
More Convergence and N-Play Penetration to speed up and retain BB & UBB Customer Base

- Leverage on our leading convergent **Network Infrastructure**
- Defend TIM Premium Price while attracting customers in a competitive environment, upselling to larger and wider bundles
- Differentiate and enrich our **Video** offering with a **distinctive branded Service Platform** and through partnerships with the best content providers
- Gain **Loyalty** from our Convergent/N-Play Customers
- Deploy our **content platform strategy** maintaining a **provider-agnostic position**; pursue new **content distribution opportunities** at “arm’s length“ terms with all partners
## Delivering the TIM Digital Multimedia Entertainment Offer

<table>
<thead>
<tr>
<th>Publishing</th>
<th>Video on demand</th>
<th>Gaming</th>
<th>Music Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018: ~10 mln clients</td>
<td>2015: ~1 mln clients, 2018: ~5 mln clients</td>
<td>2018: ~4 mln families</td>
<td>2015: ~0.8 mln users&lt;sup&gt;(1)&lt;/sup&gt;, 2018: ~5 mln users&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Telco Differentiation vs OTT</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Market Size
- 2015: ~0.8 mln users<sup>(1)</sup> | 2018: ~5 mln users<sup>(1)</sup> |
- 2015: ~1 mln clients, 2018: ~5 mln clients | 2018: ~4 mln families |
- 2018: ~10 mln clients |

### Market Value
- 0.05 Bln€ | ~3 Bln€ | ~1.5 Bln€ | ~0.13 Bln€ |

### Reason Why
- Loyalty
- Win Back New Revenues Stream
- New Revenues Stream
- Loyalty

<sup>(1)</sup> Premium Users

FY 2015 Preliminary Results & 2016-2018 Plan Update
Marco Patuano - Piergiorgio Peluso – Rodrigo Abreu
2016-’18: Focus on Efficiency Area – Process Driven

- Tight G&A control and zero-budget approach
- Resetting of discretionary costs with centralization under a single responsibility (CFO)
- Policy review of travel & lodge, facilities and standard equipment
- Automation of simple recurrent activities

Zero-Based Budget on discretionary Opex

Bln€

<table>
<thead>
<tr>
<th>Year</th>
<th>Operational Costs</th>
<th>Rental</th>
<th>G&amp;A</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>-0.2</td>
<td>1.6</td>
<td></td>
</tr>
</tbody>
</table>
2016–’18: Focus on Efficiency Area – Market Driven

- **Digital Approach, Channel & Media Mix Optimization**
  - New Caring Model: from contact center to multichannel, develop and promote guided self-care solutions, increase efficiency, improve services
  - Review sales channel mix to promote web and improve cost effectiveness
  - Further increase in productivity, process optimization/automation
Focus on Domestic non-recurring Items

<table>
<thead>
<tr>
<th>Revenues Reported</th>
<th>Service</th>
<th>Equipment</th>
<th>Opex Reported</th>
<th>EBITDA Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>IQ 1Q 2015</td>
<td>3.728</td>
<td>3.567</td>
<td>(1.936)</td>
<td>1.792</td>
</tr>
<tr>
<td>IQ 1Q 2016</td>
<td>3.728</td>
<td>3.594</td>
<td>(2.010)</td>
<td>1.709</td>
</tr>
<tr>
<td>IIQ 2Q 2015</td>
<td>3.805</td>
<td>3.619</td>
<td>(2.058)</td>
<td>1.795</td>
</tr>
<tr>
<td>IIQ 2Q 2016</td>
<td>3.805</td>
<td>3.649</td>
<td>(2.073)</td>
<td>1.679</td>
</tr>
<tr>
<td>IIIQ 3Q 2015</td>
<td>3.967</td>
<td>3.539</td>
<td>(2.265)</td>
<td>1.702</td>
</tr>
<tr>
<td>IIIQ 3Q 2016</td>
<td>3.874</td>
<td>3.578</td>
<td>(2.023)</td>
<td>1.702</td>
</tr>
<tr>
<td>IVQ 4Q 2015</td>
<td>15.303</td>
<td>14.334</td>
<td>(8.305)</td>
<td>6.988</td>
</tr>
<tr>
<td>IVQ 4Q 2016</td>
<td>15.001</td>
<td>14.058</td>
<td>(9.434)</td>
<td>5.655</td>
</tr>
</tbody>
</table>

Revenues Organic

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IQ 1Q 2015</td>
<td>3.742</td>
<td>3.819</td>
<td>(1.945)</td>
<td>1.797</td>
</tr>
<tr>
<td>IQ 1Q 2016</td>
<td>3.742</td>
<td>3.819</td>
<td>(2.176)</td>
<td>1.643</td>
</tr>
<tr>
<td>IIQ 2Q 2015</td>
<td>3.797</td>
<td>3.979</td>
<td>(2.019)</td>
<td>1.800</td>
</tr>
<tr>
<td>IIQ 2Q 2016</td>
<td>3.874</td>
<td>3.752</td>
<td>(2.281)</td>
<td>1.698</td>
</tr>
<tr>
<td>IIIQ 3Q 2015</td>
<td>15.389</td>
<td>15.001</td>
<td>(8.421)</td>
<td>6.838</td>
</tr>
<tr>
<td>IIIQ 3Q 2016</td>
<td>15.001</td>
<td>15.001</td>
<td>(8.406)</td>
<td>6.838</td>
</tr>
<tr>
<td>IVQ 4Q 2015</td>
<td>15.001</td>
<td>15.001</td>
<td>(8.406)</td>
<td>6.838</td>
</tr>
<tr>
<td>IVQ 4Q 2016</td>
<td>15.001</td>
<td>15.001</td>
<td>(8.406)</td>
<td>6.838</td>
</tr>
</tbody>
</table>

EBITDA Organic net non recurring items

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IQ 1Q 2015</td>
<td>1.797</td>
<td>1.643</td>
<td>(1.945)</td>
<td>1.797</td>
</tr>
<tr>
<td>IQ 1Q 2016</td>
<td>1.797</td>
<td>1.643</td>
<td>(2.176)</td>
<td>1.643</td>
</tr>
<tr>
<td>IIQ 2Q 2015</td>
<td>1.800</td>
<td>1.800</td>
<td>(2.019)</td>
<td>1.800</td>
</tr>
<tr>
<td>IIQ 2Q 2016</td>
<td>1.698</td>
<td>1.698</td>
<td>(2.281)</td>
<td>1.698</td>
</tr>
<tr>
<td>IIIQ 3Q 2015</td>
<td>6.838</td>
<td>6.838</td>
<td>(8.421)</td>
<td>6.838</td>
</tr>
</tbody>
</table>

FY 2015 Preliminary Results & 2016-2018 Plan Update
Marco Patuano - Piergiorgio Peluso – Rodrigo Abreu
Straight bond: the new TI 8-year priced on January 13, 2016

**Investor Type Distribution**
- Fund Managers: 69%
- Banks: 15%
- Insurances and Pension Funds: 8%
- Hedge Funds: 5%
- Others: 3%

**Geographic Distribution**
- UK & Ireland: 29%
- Italy: 18%
- France: 13%
- Germany & Austria: 10%
- Switzerland: 9%
- Iberia: 9%
- Benelux: 7%
- Others: 5%

**Issue Details**
- Issuer: Telecom Italia SpA
- Ratings of the Issue: Ba1 (Negative) / BB+ (Stable) / BBB- (Stable)
- Format: Senior Unsecured, Reg S bearer
- Size: EUR 750,000,000
- Launch / Pricing Date: 13 January 2016
- Maturity: 19 January 2024
- Settlement: 20 January 2016
- Coupon: 3.625%, short first coupon
- Re-offer price / Yield: 99.632% / 3.679%
- Spread: MS+305bps
- Joint-Bookrunners: Deutsche Bank, RBS, SG CIB, UniCredit
- Other Bookrunners: Banca IMI, Commerzbank, Mediobanca, MS, SMBC

**Deal Highlights**
- On January 13th, TI returned to the market with a €750m, 8yr, fixed-rate senior unsecured offering.
- On the back of positive market opening, the Company decided to announce the transaction with IPTs of MS+320bps area; within the first hour, investors showed interest in excess of €1.0bn.
- The quality and size of the orderbook allowed TI to announce the official price guidance at MS+305/310.
- The book closed with a size exceeding EUR 2.2bn which allowed for the final spread to be set at MS+305bps and the final size at EUR 750m.