



1Q'17 Financial and operating data

Index

Disclaimer
Key Financial Data by BU FY
Key Financial Data by BU Quarter
P&L Group FY
Net Debt & Cash Flow
Balance Sheet
Domestic Business Results
Domestic Wireline Results
Domestic Mobile Results
TIM Brasil Results
TI Group Reported & Organic Data
Domestic Reported & Organic Data

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Disclaimer

The 1Q17 financial and operating data have been extracted or derived, with the exception of some data, from the Condensed Consolidated Financial Statements at 31 March 2017 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 at 31 March 2017 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2016.

Furthermore, the Sofora - Telecom Argentina group, which was disposed of on 8 March 2016, is classified as Discontinued operations.

Key financial data by Business Unit

€ mln

UNAUDITED FIGURES

| REVENUES | 1Q16 | 1Q17 |
|-------------------------------|--------------|--------------|
| Domestic | 3.548 | 3.647 |
| o/w Wireline Domestic | 2.553 | 2.596 |
| o/w Mobile Domestic | 1.186 | 1.216 |
| Brasile | 897 | 1.181 |
| Other activities & Elim. | (5) | (9) |
| TI Group | 4.440 | 4.819 |
| EBITDA Reported | | |
| Domestic | 1.461 | 1.621 |
| Brasile | 258 | 372 |
| Other activities & Elim. | (7) | (3) |
| TI Group | 1.712 | 1.990 |
| EBITDA Margin Reported | | |
| Domestic | 41,2% | 44,4% |
| Brasile | 28,8% | 31,5% |
| TI Group | 38,6% | 41,3% |
| EBIT Reported | | |
| Domestic | 662 | 787 |
| Brasile | 49 | 81 |
| Other activities & Elim. | (7) | (3) |
| TI Group | 704 | 865 |
| EBIT Margin Reported | | |
| Domestic | 18,7% | 21,6% |
| Brasile | 5,5% | 6,9% |
| TI Group | 15,9% | 17,9% |
| CAPEX | | |
| Domestic | 778 | 631 |
| Brasile | 166 | 200 |
| Elim & Adj | 0 | |
| TI Group | 944 | 831 |
| CAPEX ON SALES (%) | | |
| Domestic | 21,9% | 17,3% |
| Brasile | 18,5% | 16,9% |
| TI Group | 21,3% | 17,2% |

P&L Group

UNAUDITED FIGURES

| € mln | 1Q16 | 1Q17 |
|--|--------------|--------------|
| REVENUES | 4.440 | 4.819 |
| Other Income | 47 | 78 |
| TOTAL OPERATING REVENUES AND OTHER INCOME | 4.487 | 4.897 |
| Acquisition of goods and services | (1.923) | (2.061) |
| Employee benefits expenses | (848) | (760) |
| Other operating expenses | (247) | (273) |
| Internally generated assets and Others | 243 | 187 |
| EBITDA | 1.712 | 1.990 |
| <i>EBITDA Margin</i> | 38,6% | 41,3% |
| Depreciation and amortization | (1.009) | (1.129) |
| Gains (losses) on disposals of non-current assets | 3 | 4 |
| Impairment reversals (losses) on non-current assets | (2) | |
| EBIT | 704 | 865 |
| <i>EBIT Margin</i> | 15,9% | 17,9% |
| Income (loss) equity invest. valued equity method | | |
| Net Financial Income / (Expenses) | (26) | (384) |
| Profit (loss) before tax from continuing operations | 678 | 481 |
| Income tax expense | (221) | (256) |
| Profit (loss) from continuing operations | 457 | 225 |
| Profit (loss) from Discontinued operations/Non-current assets held | 47 | |
| Profit (loss) for the year | 504 | 225 |
| Attributable to: | | |
| Owners of the Parent | 433 | 200 |
| Non-controlling interests | 71 | 25 |

Consolidated Balance Sheet

UNAUDITED FIGURES

| € mln | FY16 | 1Q17 |
|---|---------------|---------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Intangible assets | | |
| Goodwill | 29.612 | 29.628 |
| Intangible assets with a finite useful life | 6.951 | 6.973 |
| | <u>36.563</u> | <u>36.601</u> |
| Tangible assets | | |
| Property, plant and equipment owned | 13.947 | 13.725 |
| Assets held under finance leases | 2.413 | 2.412 |
| | <u>16.360</u> | <u>16.137</u> |
| Other non-current assets | | |
| Investments in associates and joint ventures accounted for using the equity method | 18 | 18 |
| Other investments | 46 | 48 |
| Non-current financial assets | 2.698 | 2.596 |
| Miscellaneous receivables and other non-current assets | 2.222 | 2.339 |
| Deferred tax assets | 877 | 705 |
| | <u>5.861</u> | <u>5.706</u> |
| TOTAL NON-CURRENT ASSETS (A) | 58.784 | 58.444 |
| CURRENT ASSETS | | |
| Inventories | 270 | 299 |
| Trade and miscellaneous receivables and other current assets | 5.426 | 5.621 |
| Current income tax receivables | 94 | 34 |
| Other investments | | |
| Securities other than investments, financial receivables and other current financial assets | 1.908 | 1.632 |
| Cash and cash equivalents | 3.964 | 4.461 |
| Current assets sub-total | 11.662 | 12.047 |
| Discontinued operations/assets held for sale | | |
| of a financial nature | - | - |
| of a non-financial nature | - | - |
| | <u>-</u> | <u>-</u> |
| TOTAL CURRENT ASSETS (B) | 11.662 | 12.047 |
| TOTAL ASSETS (A+B) | 70.446 | 70.491 |

Consolidated Balance Sheet

€ mln

FY16

1Q17

EQUITY AND LIABILITIES

EQUITY

| | | |
|---|---------------|---------------|
| Equity attributable to equity holders of the Parent | 21.207 | 21.555 |
| Equity attributable to Minority Interests | 2.346 | 2.395 |
| TOTAL EQUITY (C) | 23.553 | 23.950 |

NON-CURRENT LIABILITIES

| | | |
|--|---------------|---------------|
| Non-current financial liabilities | 30.469 | 31.025 |
| Employee benefits | 1.355 | 1.359 |
| Deferred tax liabilities | 293 | 304 |
| Provisions | 830 | 844 |
| Miscellaneous payables and other non-current liabilities | 1.607 | 1.646 |
| TOTAL NON-CURRENT LIABILITIES (D) | 34.554 | 35.178 |

CURRENT LIABILITIES

| | | |
|--|---------------|---------------|
| Current financial liabilities | 4.056 | 3.587 |
| Trade and miscellaneous payables and other current liabilities | 7.646 | 7.215 |
| Current income tax payables | 637 | 561 |
| Current liabilities sub-total (E) | 12.339 | 11.363 |

Liabilities directly associated with Discontinued operations/Non-current assets held for sale

| | | |
|---------------------------|---|---|
| of a financial nature | - | - |
| of a non-financial nature | - | - |
| | - | - |

| | | |
|--------------------------------------|---------------|---------------|
| TOTAL CURRENT LIABILITIES (E) | 12.339 | 11.363 |
|--------------------------------------|---------------|---------------|

| | | |
|----------------------------------|---------------|---------------|
| TOTAL LIABILITIES (F=D+E) | 46.893 | 46.541 |
|----------------------------------|---------------|---------------|

| | | |
|---|---------------|---------------|
| TOTAL EQUITY AND LIABILITIES (C+F) | 70.446 | 70.491 |
|---|---------------|---------------|

Net Cash Flow & Net Debt Dynamics

UNAUDITED FIGURES

| (€ mln) | 1Q16 | 1Q17 |
|--|---------------|---------------|
| EBITDA | 1.712 | 1.990 |
| CAPEX | (944) | (831) |
| Change in net operating working capital: | (750) | (795) |
| Change in inventories | (87) | (29) |
| Change in trade receivables and net amounts due from customers on construction contracts | 30 | 31 |
| Change in trade payables (*) | (566) | (697) |
| Other changes in operating receivables/payables | (127) | (100) |
| Change in provisions for employee benefits | 59 | (7) |
| Change in operating provisions and Other changes | (52) | 4 |
| Net operating Free Cash Flow | 25 | 361 |
| Sale of investments and other disposals flow | 707 | 2 |
| Share capital increases/reimbursements, including incidental costs | | |
| Financial investments flow | (9) | (1) |
| Dividends payment | | |
| Change in finance lease contracts | (46) | (15) |
| Finance expenses, income taxes and other net non-operating requirements flow | (500) | (463) |
| Reduction/(Increase) in adjusted net financial debt from continuing operations | 177 | (116) |
| Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale | (38) | - |
| Reduction/(Increase) in adjusted net financial debt | 139 | (116) |
| OPENING NET FINANCIAL DEBT (Adjusted) | 27.278 | 25.119 |
| Net cash flow | 139 | (116) |
| ENDING NET FINANCIAL DEBT (Adjusted) | 27.139 | 25.235 |
| Adj for fair value valuation of derivatives and related underlyings | 1.094 | 688 |
| ENDING NET FINANCIAL DEBT (Reported) | 28.233 | 25.923 |

(*) Includes the change in trade payables for amounts due to fixed asset suppliers

Domestic Business Results - Reported Figures

€ mln

UNAUDITED FIGURES

| | 1Q16 | Δ% yoy | 2Q16 | Δ% yoy | 3Q16 | Δ% yoy | 4Q16 | Δ% yoy | FY16 | Δ% yoy | 1Q17 | Δ% yoy |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| KPI's ('000) | | | | | | | | | | | | |
| Wireline | | | | | | | | | | | | |
| Physical accesses | 11.602 | -5,5% | 11.468 | -5,1% | 11.368 | -4,5% | 11.285 | -3,9% | 11.285 | -3,9% | 11.230 | -3,2% |
| Broadband (retail+wholesale) | 8.955 | 1,9% | 8.992 | 1,9% | 9.042 | 2,3% | 9.206 | 3,6% | 9.206 | 3,6% | 9.435 | 5,4% |
| Mobile | | | | | | | | | | | | |
| Total lines ⁽¹⁾ | 29.846 | -1,0% | 29.742 | -1,1% | 29.549 | -1,6% | 29.617 | -1,3% | 29.617 | -1,3% | 29.417 | -1,4% |
| € mln | 1Q16 | Δ% yoy | 2Q16 | Δ% yoy | 3Q16 | Δ% yoy | 4Q16 | Δ% yoy | FY16 | Δ% yoy | 1Q17 | Δ% yoy |
| REVENUES | 3.548 | -2,3% | 3.699 | -1,2% | 3.789 | 1,0% | 3.970 | 2,5% | 15.006 | 0,0% | 3.647 | 2,8% |
| o/w Services | 3.352 | -2,4% | 3.468 | -1,1% | 3.526 | -0,4% | 3.532 | -1,3% | 13.878 | -1,3% | 3.342 | -0,3% |
| o/w Equipments | 196 | 0,1% | 231 | -3,4% | 263 | 23,9% | 438 | 48,1% | 1.128 | 19,6% | 305 | 55,8% |
| o/w Domestic Mobile Services | 1.059 | 0,6% | 1.117 | 0,7% | 1.183 | 1,1% | 1.220 | 3,0% | 4.579 | 1,4% | 1.083 | 2,2% |
| o/w Traditional | 573 | -7,7% | 580 | -6,9% | 561 | -12,2% | 537 | -13,5% | 2.250 | -10,1% | 496 | -13,4% |
| o/w Innovative | 438 | 16,8% | 466 | 12,0% | 527 | 16,4% | 577 | 19,2% | 2.008 | 16,2% | 534 | 21,8% |
| o/w Wholesale | 48 | -15,8% | 72 | 1,1% | 96 | 20,7% | 105 | 34,9% | 321 | 12,4% | 53 | 10,4% |
| o/w Domestic Wireline Services | 2.483 | -4,3% | 2.488 | -4,8% | 2.499 | -3,6% | 2.494 | -3,0% | 9.965 | -3,9% | 2.424 | -2,4% |
| o/w Traditional Services | 1.064 | -10,8% | 1.053 | -11,1% | 1.032 | -10,3% | 1.069 | -3,6% | 4.219 | -9,0% | 967 | -9,1% |
| o/w Innovative Services | 590 | 5,8% | 610 | 4,6% | 624 | 8,1% | 648 | 8,7% | 2.472 | 6,8% | 652 | 10,5% |
| o/w Domestic Wholesale | 537 | -4,1% | 506 | -7,8% | 503 | -8,6% | 488 | -10,7% | 2.034 | -7,8% | 505 | -5,9% |
| o/w TIS Group | 311 | 0,3% | 338 | 4,0% | 354 | 5,4% | 348 | 1,5% | 1.351 | 2,8% | 310 | -0,3% |
| o/w Subs. Adj. and Other | -19 | 24,7% | -19 | 32,4% | -13 | 41,4% | -59 | -155,0% | -110 | -11,3% | -11 | 45,1% |
| Elimination & Other | -190 | 10,9% | -137 | 37,1% | -157 | 29,5% | -182 | -2,9% | -667 | 19,8% | -164 | 13,5% |
| EBITDA Reported | 1.461 | -9,3% | 1.723 | 39,4% | 1.811 | 7,9% | 1.703 | 63,4% | 6.698 | 20,3% | 1.621 | 11,0% |
| <i>EBITDA Margin</i> | 41,2% | | 46,6% | | 47,8% | | 42,9% | | 44,6% | | 44,4% | |
| Capex | 778 | 15,1% | 797 | -4,0% | 823 | 4,0% | 1.311 | -18,2% | 3.709 | -4,9% | 631 | -18,9% |
| <i>% on revenues</i> | 21,9% | | 21,5% | | 21,7% | | 33,0% | | 24,7% | | 17,3% | |
| Headcount at period-end ('000) | 52.713 | -0,5% | 52.622 | -0,4% | 52.140 | -1,1% | 51.280 | -2,6% | 51.280 | -2,6% | 51.163 | -2,7% |

⁽¹⁾ M2M included

Domestic Wireline Results - Reported Figures

UNAUDITED FIGURES

| | 1Q16 | D% yoy | 2Q16 | D% yoy | 3Q16 | D% yoy | 4Q16 | D% yoy | FY16 | D% yoy | 1Q17 | D% yoy |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|
| KPI's | | | | | | | | | | | | |
| Physical accesses ('000) | 11.602 | -5,5% | 11.468 | -5,1% | 11.368 | -4,5% | 11.285 | -3,9% | 11.285 | -3,9% | 11.230 | -3,2% |
| o/w NGN | 668 | 131,5% | 784 | 110,7% | 864 | 100,0% | 987 | 84,6% | 987 | 84,6% | 1.217 | 82,3% |
| OLO Access (on TI infrastructure) | 7.543 | 3,4% | 7.606 | 3,1% | 7.600 | 2,8% | 7.677 | 2,8% | 7.677 | 2,8% | 7.810 | 3,5% |
| o/w ULL | 5.632 | 3,2% | 5.680 | 3,1% | 5.658 | 2,5% | 5.641 | 1,2% | 5.641 | 1,2% | 5.657 | 0,4% |
| o/w Virtual ULL | 29 | 12,2% | 28 | 2,7% | 23 | -19,4% | 21 | -25,8% | 21 | -25,8% | 17 | -40,2% |
| o/w Wholesale Line Rental | 470 | -16,9% | 443 | -19,1% | 416 | -20,6% | 388 | -21,9% | 388 | -21,9% | 373 | -20,6% |
| o/w Naked | 1.241 | 2,9% | 1.256 | 3,5% | 1.256 | 3,1% | 1.274 | 3,6% | 1.274 | 3,6% | 1.282 | 3,3% |
| o/w NGN | 170 | - | 199 | - | 247 | - | 353 | - | 353 | - | 481 | - |
| TI Retail Broadband Accesses ('000) | 7.067 | 1,8% | 7.088 | 1,7% | 7.123 | 2,0% | 7.191 | 2,4% | 7.191 | 2,4% | 7.310 | 3,4% |
| o/w Business | 1.480 | -4,2% | 1.472 | -3,3% | 1.470 | -2,3% | 1.464 | -1,6% | 1.464 | -1,6% | 1.470 | -0,7% |
| o/w Consumer | 5.588 | 3,5% | 5.616 | 3,1% | 5.653 | 3,2% | 5.727 | 3,5% | 5.727 | 3,5% | 5.840 | 4,5% |
| % flat offers on TI total portfolio (Consumer+Business) | 94% | 1,8pp | 94% | 1,5pp | 95% | 1,4pp | 95% | 1,2pp | 95% | 1,2pp | 95% | 1,2pp |
| BroadBand Accesses Wholesale ('000) | 1.888 | 2,6% | 1.903 | 2,9% | 1.918 | 3,4% | 2.016 | 8,0% | 2.016 | 8,0% | 2.125 | 12,6% |
| BB Arpu (euro/mese) | 21,5 | 5,2% | 21,9 | 4,4% | 22,4 | 8,1% | 22,3 | 5,5% | 22,0 | 5,8% | 23,0 | 7,3% |
| REVENUES(€ mln) | | | | | | | | | | | | |
| TOTAL | 2.553 | -3,9% | 2.578 | -4,1% | 2.643 | -0,1% | 2.721 | 2,1% | 10.495 | -1,5% | 2.596 | 1,7% |
| o/w Services | 2.483 | -4,3% | 2.488 | -4,8% | 2.499 | -3,6% | 2.494 | -3,0% | 9.965 | -3,9% | 2.424 | -2,4% |
| o/w Equipments | 70 | 13,8% | 90 | 20,7% | 144 | 169,0% | 227 | 145,2% | 530 | 88,2% | 172 | 145,8% |
| TRADITIONAL SERVICES | 1.064 | -10,8% | 1.053 | -11,1% | 1.032 | -10,3% | 1.069 | -3,6% | 4.219 | -9,0% | 967 | -9,1% |
| o/w Voice | 901 | -13,2% | 874 | -13,9% | 836 | -14,4% | 830 | -12,0% | 3.441 | -13,4% | 801 | -11,1% |
| o/w Traffic | 324 | -8,4% | 323 | -10,1% | 306 | -11,9% | 306 | -9,9% | 1.259 | -10,1% | 297 | -8,4% |
| o/w Access | 515 | -15,9% | 489 | -16,6% | 470 | -16,3% | 463 | -14,1% | 1.937 | -15,8% | 445 | -13,5% |
| o/w Voice VAS | 26 | -15,4% | 27 | -5,9% | 27 | -4,8% | 27 | -2,4% | 106 | -7,3% | 25 | -2,7% |
| o/w Rental & other | 37 | -13,7% | 35 | -14,0% | 33 | -16,4% | 35 | -8,5% | 140 | -13,2% | 34 | -6,8% |
| o/w Business Data & Others trad | 163 | 5,3% | 179 | 5,7% | 195 | 12,9% | 239 | 44,6% | 777 | 17,2% | 166 | 1,5% |
| o/w Data Services | 112 | -4,8% | 113 | -5,8% | 112 | 2,0% | 115 | -1,8% | 453 | -2,7% | 111 | -1,3% |
| o/w Rental & other | 51 | 37,3% | 67 | 33,4% | 83 | 32,1% | 124 | 157,4% | 325 | 63,9% | 55 | 7,6% |
| INNOVATIVE SERVICES | 590 | 5,8% | 610 | 4,6% | 624 | 8,1% | 648 | 8,7% | 2.472 | 6,8% | 652 | 10,5% |
| o/w Broadband | 447 | 6,9% | 457 | 6,2% | 471 | 10,2% | 473 | 8,2% | 1.847 | 7,9% | 493 | 10,4% |
| o/w Access & Bundles Services | 429 | 7,6% | 440 | 6,8% | 454 | 10,9% | 457 | 8,9% | 1.780 | 8,6% | 470 | 9,5% |
| o/w Others | 17 | -6,4% | 17 | -7,6% | 17 | -6,4% | 16 | -10,0% | 67 | -7,6% | 23 | 31,5% |
| o/w Content | 4 | -17,6% | 4 | -21,3% | 4 | -23,1% | 4 | -10,3% | 17 | -18,5% | 4 | 0,9% |
| o/w ICT Service | 139 | 3,2% | 149 | 0,6% | 149 | 3,0% | 172 | 10,9% | 609 | 4,5% | 155 | 11,3% |
| Domestic Wholesale | 537 | -4,1% | 506 | -7,8% | 503 | -8,6% | 488 | -10,7% | 2.034 | -7,8% | 505 | -5,9% |
| TIS Group | 311 | 0,3% | 338 | 4,0% | 354 | 5,4% | 348 | 1,5% | 1.351 | 2,8% | 310 | -0,3% |
| Subs. Adj. and Other | -19 | 24,7% | -19 | 32,4% | -13 | 41,4% | -59 | -155% | -110 | -11,3% | -11 | 45,1% |

Domestic Mobile Results - Reported Figures

€ mln

UNAUDITED FIGURES

| | 1Q16 | Δ% yoy | 2Q16 | Δ% yoy | 3Q16 | Δ% yoy | 4Q16 | Δ% yoy | FY16 | Δ% yoy | 1Q17 | Δ% yoy |
|--|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| KPI's | | | | | | | | | | | | |
| Total number of lines ('000) ⁽¹⁾ | 29.846 | -1,0% | 29.742 | -1,1% | 29.549 | -1,6% | 29.617 | -1,3% | 29.617 | -1,3% | 29.417 | -1,4% |
| Churn Rate % | 5,6% | -0,8pp | 5,3% | -0,2pp | 5,9% | 0,1pp | 6,0% | 0,2pp | 22,8% | -0,7pp | 5,9% | 0,2pp |
| Total User Broadband (mln of users) | 11,6 | 11,1% | 11,8 | 9,5% | 12,1 | 7,7% | 12,2 | 6,0% | 12,2 | 6,0% | 12,2 | 4,7% |
| Total User LTE (mln of users) | 5,0 | - | 5,7 | - | 6,2 | - | 7,6 | - | 7,6 | - | 8,3 | - |
| Volumes of traffic (mln of minutes) ⁽²⁾ | 16.943 | 4,9% | 17.381 | 4,5% | 17.213 | 5,3% | 18.042 | 6,1% | 69.578 | 5,2% | 18.183 | 7,3% |
| o/w Outgoing traffic volumes (mln of minutes) | 10.999 | 1,6% | 11.164 | 1,6% | 11.143 | 4,0% | 11.633 | 4,8% | 44.939 | 3,0% | 11.781 | 7,1% |
| o/w Incoming traffic volumes (mln of minutes) | 5.945 | 11,4% | 6.217 | 10,1% | 6.069 | 7,9% | 6.408 | 8,6% | 24.640 | 9,5% | 6.402 | 7,7% |
| Usage Voice (min/line/month) ⁽³⁾ | 233 | 8,8% | 241 | 8,2% | 241 | 9,5% | 256 | 10,2% | 243 | 9,2% | 259 | 11,4% |
| Usage Data (GB/users/month) | 1,7 | 28,6% | 1,9 | 36,0% | 2,0 | 24,7% | 2,1 | 30,8% | 1,9 | 29,7% | 2,3 | 35,3% |
| ARPU ⁽³⁾ € | 11,6 | 2,5% | 12,1 | 1,5% | 12,8 | 2,4% | 13,3 | 4,1% | 12,4 | 2,6% | 12,0 | 3,2% |
| REVENUES (€ mln), Reported figures | | | | | | | | | | | | |
| TOTAL | 1.186 | 3,0% | 1.261 | 2,0% | 1.300 | -0,2% | 1.432 | 3,9% | 5.179 | 2,2% | 1.216 | 2,5% |
| SERVICES | 1.059 | 0,6% | 1.117 | 0,7% | 1.183 | 1,1% | 1.220 | 3,0% | 4.579 | 1,4% | 1.083 | 2,2% |
| Traditional Services | 573 | -7,7% | 580 | -6,9% | 561 | -12,2% | 537 | -13,5% | 2.250 | -10,1% | 496 | -13,4% |
| o/w Outgoing voice ⁽⁴⁾ | 404 | -12,8% | 403 | -11,4% | 395 | -14,3% | 379 | -12,3% | 1.581 | -12,7% | 349 | -13,7% |
| o/w Incoming voice | 67 | 15,7% | 70 | 13,4% | 68 | 4,4% | 71 | 3,2% | 276 | 8,9% | 71 | 5,4% |
| o/w Messaging | 102 | 2,0% | 107 | 0,7% | 98 | -13,3% | 87 | -27,7% | 394 | -10,4% | 76 | -24,9% |
| Innovative Services | 438 | 16,8% | 466 | 12,0% | 527 | 16,4% | 577 | 19,2% | 2.008 | 16,2% | 534 | 21,8% |
| o/w Browsing | 356 | 16,3% | 377 | 11,4% | 392 | 5,4% | 451 | 15,0% | 1.576 | 11,9% | 415 | 16,8% |
| o/w Internet Content | 83 | 19,4% | 88 | 14,3% | 135 | 67,6% | 126 | 37,1% | 432 | 35,4% | 119 | 43,1% |
| Wholesale Services | 48 | -15,8% | 72 | 1,1% | 96 | 20,7% | 105 | 34,9% | 321 | 12,4% | 53 | 10,4% |
| Handsets | 127 | 29,5% | 144 | 13,7% | 117 | -12,0% | 212 | 9,2% | 600 | 8,8% | 133 | 5,2% |

⁽¹⁾ M2M included

⁽²⁾ Incoming + Outgoing volumes (Visitors and Roamers volumes not included)

⁽³⁾ Net of visitors

⁽⁴⁾ Outgoing voice revenues include roaming revenues

TIM Brasil Results - Reported Figures

Reais mln

UNAUDITED FIGURES

| | 1Q16 | Δ% yoy | 2Q16 | Δ% yoy | 3Q16 | Δ% yoy | 4Q16 | Δ% yoy | FY16 | Δ% yoy | 1Q17 | Δ% yoy |
|---|--------------|--------|--------------|--------|--------------|--------|--------------|--------|---------------|--------|--------------|--------|
| KPI's - Mobile only | | | | | | | | | | | | |
| Estimated Total Penetration (%) | 125,4% | | 123,0% | | 121,6% | | 118,0% | | | | 117,2% | |
| Market Share on total lines(%) | 26,1% | -0,6pp | 25,3% | -1,2pp | 25,2% | -1,1pp | 26,0% | +0,3pp | 26,0% | +0,3pp | 25,5% | -0,6pp |
| Total Lines ('000) (1) | 67.269 | -11,2% | 63.988 | -14,2% | 63.247 | -12,9% | 63.418 | -4,3% | 63.418 | -4,3% | 61.868 | -8,0% |
| TOTAL ARPU (2) | 17,2 | 3% | 17,2 | 7% | 18,4 | 12% | 19,2 | 9% | 18,0 | 8% | 19,0 | +10,5% |
| TOTAL MOU net of visitors | 119 | -1,4% | 118 | -0,4% | 116 | -2,1% | 113 | -5,8% | 117 | -2,4% | 107 | -10,1% |
| MAIN RESULTS (IAS/IFRS, R\$ mln) | | | | | | | | | | | | |
| REVENUES Reported | 3.854 | -15,3% | 3.820 | -12,4% | 3.900 | -5,2% | 4.043 | -1,7% | 15.617 | -8,9% | 3.951 | 2,5% |
| of which services | 3.618 | -8,3% | 3.570 | -5,9% | 3.690 | -2,4% | 3.842 | -0,7% | 14.720 | -4,3% | 3.744 | 3,5% |
| of which handsets | 236 | -61,1% | 250 | -56,1% | 210 | -36,9% | 201 | -18,3% | 897 | -48,9% | 207 | -12,3% |
| EBITDA Reported | 1.107 | -17,4% | 1.189 | -6,8% | 1.270 | -1,2% | 1.548 | 5,8% | 5.114 | -4,7% | 1.247 | 12,6% |
| EBITDA margin | 28,7% | -0,8pp | 31,1% | 1,8pp | 32,6% | 1,4pp | 38,3% | 2,7pp | 32,7% | 1,4pp | 31,6% | 2,9 pp |
| EBITDA Organic (net non recurring) | 1.140 | -15,0% | 1.190 | -6,7% | 1.292 | 0,5% | 1.548 | 2,1% | 5.170 | -4,6% | 1.247 | 9,4% |
| EBITDA margin | 29,6% | 0,1 pp | 31,2% | 1,9 pp | 33,1% | 1,9 pp | 38,3% | 1,5 pp | 33,1% | 1,5 pp | 31,6% | 2,0pp |
| Capex Reported | 710 | -23,2% | 975 | -17,7% | 1.122 | -3,9% | 1.695 | +13,9% | 4.502 | -5,5% | 669 | -5,8% |
| % on revenues | 18,4% | -1,9pp | 25,5% | -1,6pp | 28,8% | 0,4pp | 41,9% | 5,7pp | 28,8% | 1,0pp | 16,9% | -1,5pp |
| | 1Q16 | Δ% yoy | 1H16 | Δ% yoy | 9M16 | Δ% yoy | FY16 | Δ% yoy | FY16 | | 1Q17 | Δ% yoy |
| Exchange rate AVG YTD (R\$ vs. euro) | 4,29753 | | 4,13001 | | 3,96106 | | 3,85935 | | 3,85935 | | 3,34707 | |

(1) Includes company lines

(2) Gross of visitors

€ mln

Reported & Organic Figures (*): YoY trends

Revised

UNAUDITED FIGURES

| 1Q'16 | | | | 1Q'17 | | | Δ% yoy reported | Δ% yoy organic * | | | |
|---------------------------------|--------------------------|----------------------|-------------------------|-----------------------------|---------------------------------|---------------------------------|---------------------------|------------------|---------------|-------------|-------------|
| Reported Figures (a) | Non Organic elements (b) | | Non recurring items (c) | Organic figures * (d=a+b+c) | Reported figures (e) | Non recurring items (f) | Organic figures * (g=e+f) | (h=e/a-1) | (i=g/d-1) | | |
| € mln | Change in consolid. area | Exchange rate impact | | | | | | | | | |
| REVENUES | | | | | | | | | | | |
| Domestic | 3.548 | | 3 | 3.551 | Domestic | 3.647 | 3.647 | 2,8 | 2,7 | | |
| o/w Wireline Domestic | 2.553 | | 3 | 2.556 | o/w Wireline Domestic | 2.596 | 2.596 | 1,7 | 1,6 | | |
| o/w Mobile Domestic | 1.186 | | | 1.186 | o/w Mobile Domestic | 1.216 | 1.216 | 2,5 | 2,5 | | |
| Brasile | 897 | | 255 | 1.152 | Brasile | 1.181 | 1.181 | 31,7 | 2,5 | | |
| Other Activities & Eliminations | (5) | | | (5) | Other Activities & Eliminations | (9) | (9,0) | (80,0) | (80,0) | | |
| TI Group | 4.440 | | 258 | 4.698 | TI Group | 4.819 | 4.819 | 8,5 | 2,6 | | |
| EBITDA | | | | | | | | | | | |
| Domestic | 1.461 | | 1 | 67 | 1.529 | Domestic | 1.621 | 24 | 1.645 | 11,0 | 7,6 |
| Brasile | 258 | | 73 | 10 | 341 | Brasile | 372 | 0 | 372 | 44,2 | 9,4 |
| Other Activities & Eliminations | (7) | | | (7) | (7) | Other Activities & Eliminations | (3) | (3) | (3) | | |
| TI Group | 1.712 | | 74 | 77 | 1.863 | TI Group | 1.990 | 24 | 2.014 | 16,2 | 8,1 |
| EBITDA Margin | | | | | | | | | | | |
| Domestic | 41,2% | | | 43,1% | Domestic | 44,4% | 45,1% | 3,2 pp | 2 pp | | |
| Brasile | 28,8% | | | 29,6% | Brasile | 31,5% | 31,6% | 2,7 pp | 2 pp | | |
| TI Group | 38,6% | | | 39,7% | TI Group | 41,3% | 41,8% | 2,7 pp | 2,1 pp | | |
| EBIT | | | | | | | | | | | |
| Domestic | 662 | | 1 | 67 | 730 | Domestic | 787 | 24 | 811 | 18,9 | 11,1 |
| Brasile | 49 | | 14 | 10 | 73 | Brasile | 81 | | 81 | 65,3 | 11,9 |
| Other Activities & Elimination | (7) | | | (1) | (8) | Other Activities & Elimination | (3) | (3) | (3) | | 62,5 |
| TI Group | 704 | | 15 | 76 | 795 | TI Group | 865 | 24 | 889 | 22,9 | 11,8 |
| EBIT Margin | | | | | | | | | | | |
| Domestic | 18,7% | | | 20,6% | Domestic | 21,6% | 22,2% | 2,9 pp | 1,6 pp | | |
| Brasile | 5,5% | | | 6,3% | Brasile | 6,9% | 6,9% | 1,4 pp | 0,6 pp | | |
| TI Group | 15,9% | | | 16,9% | TI Group | 17,9% | 18,4% | 2 pp | 1,5 pp | | |

Non recurring items on EBITDA

| | 1Q16 | 1Q17 |
|-----------------------|-----------|-----------|
| Labour cost | 75 | 5 |
| Other Costs & Charges | 2 | 19 |
| Total | 77 | 24 |

Non recurring items on EBIT

| | 1Q16 | 1Q17 |
|-----------------------|-----------|-----------|
| Labour Costs | 75 | 5 |
| Other Costs & Charges | 1 | 19 |
| Total | 76 | 24 |

(*) Organic: excluding exchange rate fluctuations & non-recurring items

Domestic Reported and Organic Ebitda

€ mln

UNAUDITED FIGURES

| | 1Q'17 | 1Q'16 | D YoY | |
|----------------------------|--------------|--------------|-------------|---------------|
| | | | abs | % |
| EBITDA Organic | 1.645 | 1.529 | 116 | +7,6% |
| Exchange Rate Impact | | 1 | (1) | |
| Labour Costs | 5 | 65 | (60) | |
| Other Operational Costs | 19 | 2 | 17 | |
| Other Charges | | | 0 | |
| Non recurring Items | 24 | 68 | (44) | |
| EBITDA Reported | 1.621 | 1.461 | 160 | +11,0% |