

TELECOM ITALIA S P A
Form 6-K
March 23, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF MARCH 2017

TELECOM ITALIA S.p.A.

(Translation of registrant's name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F

FORM 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

YES

NO

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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Press Release

TIM: BOARD OF DIRECTORS EXAMINES AND APPROVES THE ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2016

CONSOLIDATED EBIT: 3.7 BILLION EUROS (+25.6% COMPARED WITH 2015). NET OF NON-RECURRING ITEMS, THE FIGURE TOTALS 3.9 BILLION EUROS

EBIT FOR THE FOURTH QUARTER OF 2016 TOTALLED AROUND 1 BILLION EUROS, 0.8 BILLION EUROS HIGHER THAN THE FOURTH QUARTER OF 2015, REFLECTING THE IMPROVEMENT IN EBITDA

PARENT COMPANY SHARE OF NET PROFIT: 1.8 BILLION EUROS AS COMPARED WITH A LOSS OF 70 MILLION EUROS IN 2015

PROPOSED DISTRIBUTION OF DIVIDEND FOR SAVINGS SHARES OF 2.75 EURO CENTS

TIM HAS DEVISED A PLAN TO ACHIEVE FIBRE COVERAGE OF 95% OF THE COUNTRY IN 2018, ALMOST TWO YEARS AHEAD OF SCHEDULE. IN 2019, THERE WILL BE 99% COVERAGE, THANKS IN PART TO WIRELESS TECHNOLOGIES, MAINTAINING THE CAPEX SPECIFIED IN THE STRATEGIC PLAN, BRINGING IN A FINANCIAL PARTNER TO BE SELECTED IN THE COMING MONTHS FOR THE PROJECTS IN AREAS C AND D

SHAREHOLDERS MEETING CALLED FOR 4 MAY 2017

The economic and financial results of the TIM Group and of TIM S.p.A. for the 2016 financial year as well as those for the previous year with which they are compared have been prepared according to the International Accounting Standards issued by the International Accounting Standards Board and homologated by the European Union (defined as IFRS). In the 2016 financial year, TIM applied the same accounting principles as used for the previous year, apart from the new Principles/Interpretations adopted from 1 January 2016, which had no impact on the results of the 2016 financial year.

The results of the TIM Group, and of TIM S.p.A. present some minor changes from the preliminary figures disclosed on 3 February 2017.

In the Brazil Business Unit, the management has identified an incorrect accounting entry made in previous years regarding the posting of service revenues from the sale of pre-paid traffic. Although this accounting error had no impact in terms of the net financial position or cash and cash equivalents, it meant that the recognition of revenues from traffic prepaid and not yet consumed was posted earlier. Action was therefore taken to review the comparative data relating to 31 December 2015, with no significant impact on the economic data compared. Further details are provided in the Annex.

In addition to the conventional financial performance indicators contemplated under IFRS, TIM uses certain alternative performance indicators in order to give a clearer picture of the trend of operations and the company's financial position. Specifically, the alternative performance indicators refer to: EBITDA; EBIT; organic change in revenues, in EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt carrying amount and adjusted net financial debt. The meaning and content of these measures are explained in the annexes.

Note that the chapter Business Outlook for the 2017 fiscal year , contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of the Group's operations and strategies. Readers of this Press Release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the above-mentioned forecasts owing to a number of factors, the majority of which are beyond the Group's control.

Finally, please note that the audit of the TIM consolidated and separate Financial Statements at 31 December 2016 has not yet been completed.

MAIN VARIATIONS TO THE TIM GROUP CONSOLIDATION SCOPE

The following changes to the consolidation scope occurred during 2016:

TIMVISION S.r.l. (Domestic Business Unit): established on 28 December 2016;

Noverca S.r.l. (Domestic Business Unit): TIM S.p.A. acquired 100% of the company on 28 October 2016;

Flash Fiber S.r.l. (Domestic Business Unit): established on 28 July 2016;

Sofora - Telecom Argentina Group: classified under Discontinued operations (discontinued operations/non-current assets held for sale) was sold on 8 March 2016;

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Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. (Domestic Business Unit): on 11 January 2016, INWIT S.p.A. acquired 100% of these companies, subsequently merged by incorporation, which therefore entered the Group's consolidation scope.

The following changes to the consolidation scope occurred during 2015:

INWIT S.p.A. (Domestic Business Unit): established in January 2015;

Alfabook S.r.l. (Domestic Business Unit): on 1 July 2015, Telecom Italia Digital Solutions S.p.A. (now merged in Olivetti S.p.A.) acquired 100% of the capital of the company, which therefore entered the Group's consolidation scope;

*TIM Real Estate S.r.l. (Domestic Business Unit): was established in November 2015.
Rome, 23 March 2017*

The Board of Directors of TIM met today, chaired by Giuseppe Recchi, to approve the consolidated financial statements of the TIM Group and the draft Separate financial statements of TIM S.p.A. at 31 December 2016, the principal operating results of which were disclosed to the market on 3 February last.

The **turnaround** process started by the management in 2016 has brought a significant recovery in the principal economic and financial indicators, enabling TIM to reach all the targets it had set itself.

In particular, the Group **returned to profit**, reporting **1.8 billion euros** at the end of 2016, 1.9 billion more than at the end of 2015 (-70 million euros).

The operating result (**EBIT**) totalled **3.7 billion euros**, a 25.6% increase on the figure for 2015 (+26.8% in organic terms); EBIT in the fourth quarter of 2016 totalled around 1 billion euros, 0.8 billion euros more than in the fourth quarter of 2015.

TIM GROUP RESULTS

Revenues in 2016 totalled **19,025 million euros**, 3.5% (-694 million euros) down compared to 2015 (19,719 million euros). In terms of organic change, calculated by excluding the effect of changes in exchange rates and in the consolidation scope, consolidated revenues were down 2.6% (-501 million euros).

Revenues by operating segment, were as follows:

(million euros)	2016		2015		Changes		
		% of total		% of total	absolute	%	% organic
Domestic (*)	15,006	78.9	15,001	76.1	5		
Core Domestic (**)	13,926	73.2	14,001	71.0	(75)	(0.5)	(0.5)
International Wholesale	1,351	7.1	1,314	6.7	37	2.8	2.7
Brazil	4,047	21.3	4,637	23.5	(590)	(12.7)	(8.9)
Other assets	11	0.1	131	0.7	(120)		
Adjustments and eliminations	(39)	(0.3)	(50)	(0.3)	11		
Consolidated Total	19,025	100.0	19,719	100.0	(694)	(3.5)	(2.6)

(*) After the change to Persidera's mission, the Media Business Unit was incorporated into the Domestic Business Unit (Domestic Core) from 1 January 2016; in the absence of this change, Domestic revenues in 2016 would have been 14,933 million euros.

(**) Includes the Olivetti company since 1 January 2016. The data for the comparative financial year have been changed accordingly.

Revenues for the fourth quarter 2016 totalled **5,086 million euros** and showed an improvement compared with the same period of the previous financial year, both in absolute terms (+245 million euros; +5.1%) and in organic terms (+28 million euros; +0.6%) **reversing a negative trend that had persisted for 18 quarters**. This positive result was driven by the Domestic Business Unit, which grew by 2.5% in organic terms compared with -2.6% in the fourth quarter of 2015. This result was helped by the introduction of innovative offers aimed, for example, at optimising use of the mobile network in off-peak hours and at retaining the customer base by offering new products (enabling products) that extend the reach of TIM services into adjacent markets.

Positive signs are also coming from the Brazil Business Unit which, in a better macroeconomic and competitive context, is significantly slowing down the negative trend, limiting the reduction in revenues to 1.7% in the fourth quarter of 2016 compared with -15.3% in the first quarter of 2016. This recovery is linked to effective repositioning in the post-paid segment, with a strengthening of the main operational indicators.

EBITDA in 2016 was **8,002 million euros**, up 996 million euros (+14.2%) from the previous financial year, with an EBITDA margin of 42.1% (35.5% in 2015; +6.6 percentage points). In organic terms, EBITDA showed an increase of 1,057 million euros (+15.2%) compared to the previous year, with a 6.5 percentage points increase in margin.

EBITDA for 2016 reflected the negative impact of non-recurring charges for a total of 197 million euros (1,076 million euros in 2015). Without these, the organic change in EBITDA would have been +2.2%, with an EBITDA margin of 43.1% of revenues, 2 percentage points higher than 2015.

Net non-recurring charges (million euros)	2016	2015
Acquisition of goods and services and Change in inventories	2	112
Employee benefits expenses	159	446
Other charges and provisions	36	518
Total non-recurring charges with impact on EBITDA	197	1,076
Capital gain sale of Brazil towers ^(*)	(12)	(315)
Impairment of goodwill, Brazil ^(*)		230
Amortisation of intangible assets		2
Total non-recurring charges with impact on EBIT ^(*)	185	993

(*) the 2015 figure is reported at the same exchange rate (mean 2016 rate). The impact on EBIT, at historic exchange rates, totalled 990 million euros (capital gain on towers, -328 million euros; impairment of goodwill Brazil, 240 million euros).

These charges also include the costs of the company restructuring/reorganisation, the charges consequent on disputes and fines of a regulatory nature and related liabilities, charges connected to disputes with former employees, amounts owed to customers and/or suppliers and costs connected to trade receivables management.

The following table shows a breakdown of EBITDA and EBITDA margin by business unit:

(million euros)	2016		2015		Changes		
		% of total		% of total	absolute	%	% organic
Domestic (*)	6,698	83.7	5,567	79.5	1,131	20.3	20.3
Margin (%)	44.6		37.1			7.5 pp	7.5 pp
Brazil	1,325	16.6	1,451	20.7	(126)	(8.7)	(4.7)
Margin (%)	32.7		31.3			1.4 pp	1.4 pp
Other assets	(18)	(0.2)	(14)	(0.2)	(4)		
Adjustments and eliminations	(3)	(0.1)	2		(5)		
Consolidated Total	8,002	100.0	7,006	100.0	996	14.2	15.2
Margin (%)	42.1		35.5			6.6 pp	6.5 pp

(*) After the change to Persidera's mission, the Media Business Unit was incorporated into the Domestic Business Unit (Domestic Core) from 1 January 2016; in the absence of this change, Domestic EBITDA in 2016 would have been 6,658 million euros.

EBITDA for the **fourth quarter** 2016 totalled **2,124 million euros, 740 million euros higher than the same period of the previous year**. In organic terms and net of non-recurring items, the growth amounts to 106 million euros, equal to +5.1%, an improvement of 12.6 percentage points compared with -7.5% in the first quarter of 2016.

The sustained recovery in EBITDA, both in absolute terms and in terms of the margin of profitability on revenues, benefited from the cost recovery plan actions launched in the second quarter of 2016 by the Domestic Business Unit and in the third quarter in the Brazil Business Unit.

2016 EBIT was 3,722 million euros (2,963 million euros in 2015), 759 million euros higher (+25.6%) than in 2015, with an EBITDA margin of 19.6% (15.0% in FY 2015, +4.6 percentage points).

Organic EBIT was up 786 million euros (+26.8%), accounting for 19.6% of revenues (15.0% in FY 2015).

EBIT for the year reflects the negative impact of non-recurring net charges for a total of 185 million euros (993 million euros in the first nine months of 2015 at the same exchange rate).

Without these non-recurring items organic change in EBIT would have been a decrease of 22 million euros (-0.6%), with a margin of 20.5%, (20.1% in FY2015).

EBIT for the fourth quarter 2016 totalled **954 million euros**, 797 million euros higher than the fourth quarter of 2015, reflecting the improvement in EBITDA referred to earlier.

Profits for the 2016 financial year attributable to Parent Company Shareholders totalled **1,808 million euros** (losses attributable to Parent Company Shareholders totalled 70 million in FY 2015) and benefit not only from the improved margins, but also from some items of a purely accounting and valuation nature, which do not generate any financial adjustments, connected principally with the valuation at fair value of the implicit option included in the Mandatory Convertible Bond issued at the end of 2013 with maturity at three years.

Group **headcount** at 31 December 2016 was **61,229**, including 51,125 in Italy (65,867 at 31 December 2015, including 52,555 in Italy).

Capital expenditure in the 2016 financial year was **4,876 million euros**, down by 321 million euros on 2015, and breaks down as follows by operational sector:

(million euros)	2016		2015		Changes
		% of total		% of total	
Domestic (*)	3,709	76.1	3,900	75.0	(191)
Brazil	1,167	23.9	1,289	24.8	(122)
Other assets			8	0.2	(8)
<i>Adjustments and eliminations</i>					
Consolidated Total	4,876	100.0	5,197	100.0	(321)
<i>Margin (%)</i>		25.6		26.4	(0.8) pp

(*) After the change to Persidera's mission, the Media Business Unit was incorporated into the Domestic Business Unit (Domestic Core) from 1 January 2016; in the absence of this change, Domestic investments in 2016 would have been 3,702 million euros.

The **Domestic Business Unit** made investments of 3,709 million euros, down by 191 million euros compared with 2015, the figure for which included, amongst others, the investments made to acquire the rights of use to the L band frequencies (231 million euros) and to extend the GSM licence (117 million euros).

Investment was again selective, identifying the most profitable projects focused on innovation and transformation, with a resulting boost to UBB coverage levels and service quality. The domestic market investments plan, dedicated to developing next generation infrastructure, allowed around 60% of households to be reached by optic fibre (NGN) and over 96% of the population to be connected to the 4G (LTE) mobile network.

The **Brazil Business Unit** recorded a reduction in investments of 122 million euros (including a negative exchange effect of 55 million euros) compared with 2015, due to the combined effects of the cost recovery plan and projects to optimise recurrent spending on traditional investment products, along with a more efficient allocation of capital on infrastructure investments for the development of 4G coverage.

These initiatives meant that the development of the broadband mobile network could be accelerated and expanded, achieving coverage which, as of the end of 2016, extended the 3G network to 89% of the urban population (+ 7 p.p. compared with 2015) and the 4G network to 74% (+ 15 p.p. compared with 2015).

Cash flow from Group operations is positive by **2,856 million euros** (positive by 1,974 million euros in the 2015 financial year).

Net financial debt carrying amount at 31 December 2016 totalled 25,955 million euros (28,475 million euros at 31 December 2015).

Adjusted net financial debt was **25,119 million euros** as of 31 December 2016, **2,159 million euros** lower than on 31 December 2015 (27,278 million euros). Debt reduction in 2016 was guaranteed by the positive trend in operations, the benefits resulting from completion of the sale of the Sofora - Telecom Argentina group (leading to collection of

the payment and the resulting deconsolidation of the related financial debt), and the strengthening of equity arising from conversion of the mandatory convertible bond for 1.3 billion euro into TIM shares last November. Conversely, the level of debt was negatively influenced by the performance of the Brazilian exchange rate.

In the **fourth quarter 2016**, the adjusted net financial debt fell by 1,616 million euros compared with 30 September 2016 (26,735 million euros). The effects of the positive trend in operations combined with the benefits resulting from the strengthened equity arising from the conversion of the Mandatory Convertible Bond for 1.3 billion euros into TIM shares.

The **liquidity margin** at 31 December 2016 was 12,483 million euros, equivalent to the sum of Cash and cash equivalents and Securities other than investments for a total of 5,483 million euros (5,047 million euros at 31 December 2015) and unused committed lines of credit for a total of 7,000 million euros. This margin covers the financial liabilities of the Group falling due for at least the next 24 months.

BUSINESS UNIT RESULTS**DOMESTIC**

Revenues in 2016 totalled **15,006 million euros**, up slightly on 2015 (+5 million euros) due to the structural improvement recorded during the year, which led in the third and fourth quarters to a reversal of the trend, with a positive growth rate compared to the same periods of the previous financial year (fourth quarter +2.5%, third quarter +1.0%, compared with 1.2% and -2.3% respectively in the second and first quarter). Revenues from services also presented a recovery and improvement trend in particular the Mobile segment, which showed a positive growth rate in every quarter with a reduction compared to the previous financial year limited to -180 million euros (-1.3%), lower than recorded in 2015 (-276 million euros, -1.9% compared with 2014).

In the fourth quarter of 2016, revenues from services were -1.3%, entirely attributable however to the reduction of regulated wholesale prices.

In particular, it should be noted that:

- u service revenues from the Mobile market totalled 4,579 million euros, with an increase of 63 million euros compared to the previous year (+1.4%), and the dynamic of constant and steady growth that was observed in the preceding quarters was confirmed (quarter one +0.6%, quarter two +0.7%, quarter three +1.1%, quarter four +3.0%), particularly in the last quarter, which benefited from the launch of innovative offers in the Autumn campaign, a further push to encourage takeup of 4G coverage and services, and a rational pricing strategy, intended to both react in a balanced way to commercial pressure on the low-spending segment, and ensure quality and convergence in the medium-high spending segment. This improvement also confirms the marked improvement in the principal operating indicators: in the fourth quarter of 2016, ARPU increased to 13.3 euros/month (compared to 12.8 euros/month in the fourth quarter of 2015), churn was at 23%, confirming us as best-in-class in the sector, while the Mobile Number Portability balance improved, becoming positive (+26 thousand in the fourth quarter of 2016 compared to -44 thousand in the third quarter of 2016).
- u 2016 revenues from Fixed market services totalled 9,965 million euros, 407 million euros less than 2015 (-3.9%); this fall which steadily attenuated during the year (-3.0% in the fourth quarter) was entirely related to the lower revenues from voice services (-533 million euros), due to the loss of traditional accesses, with a trend that still represented a significant recovery compared to the earlier periods), only in part offset by the continuous growth in Broadband and Ultra-Broadband customers, which is driving growth in innovative connectivity services (+158 million euros in 2016; +6.8%). These results are also significantly influenced by the reduction in the regulated prices of some wholesale services. Line losses reduced significantly, falling to -83 thousand in the last quarter of 2016, confirming the trend noted in previous quarters. The trend in new fibre subscriptions accelerated strongly (+125,000 in the fourth quarter) with an NGN client base of approximately 1 million.

Revenues from product sales, including changes to works in progress, totalled 1,128 million euros in 2016, a significant improvement on 2015 (+185 million euros), thanks to the growth in volumes and revenue from the sale of Internet connectivity service and entertainment enabling products (smart phones, smartTVs etc.).

The Domestic Business Unit operates separately in two different reference environments, and an analysis of these revenues is provided below:

Core Domestic Revenues

Core Domestic **revenues** totalled **13,926 million euros** and fell by 0.5% (14,001 million euros in 2015). The performance of the individual market segments as compared with the 2015 financial year is as follows:

Consumer: 2016 revenues totalled 7,389 million euros, a significant improvement from 2015 (+118 million euros; +1.6%). This positive result was helped by the trend of structural improvement in Mobile revenues, as a result of retention of our market share and the stabilisation of ARPU levels, as well as the gradual recovery in Fixed revenues, thanks to an improved dynamic and significant reduction in line losses.

In particular, the following should be noted:

Mobile revenues totalled 3,759 million euros, with a dynamic of constant and significant growth, compared to 2015 (+161 million euros, +4.5%). Service revenues increased by 101 million euros (+3.2%), further confirming and consolidating the positive trend compared to 2015 in the last quarter. This is attributable both to an improvement in the competitive dynamics - with a gradual stabilisation of market share - and to the constant growth in mobile Internet and digital entertainment services, which supported ARPU levels;

Fixed revenues totalled 3,584 million euros, down by 125 million euros compared with 2015 (-3.4%). This decline in turnover recovered strongly in the last quarter, with a positive result compared with recent quarters (fourth quarter +2.0%, third quarter -3.2%, second quarter -6.0%, first quarter -6.0%). The improving trend in revenues is attributable to a reduction in voice-only access losses, accompanied by the development of Broadband and Ultrabroadband customers, and the growth of connectivity and content enabling products (SmartTVs, decoders etc.).

Business: the revenues of the Business segment totalled 4,535 million euros, 210 million euros less than 2015 (-4.4%), 193 million euros (-4.5%) of which in the service component and 18 million euros (-3.7%) from equipment and products.

In particular:

revenues from Mobile services fell by 45 million euros (-4.0% compared with the previous year). The continuing decline in traditional services (voice and messaging -12.7% compared with 2015), caused by the trend for customers to reposition on bundles with a lower overall ARPU, and the migration of Government customers to the new Consip offer (the unit prices of which have been lowered), and still only marginally offset by the positive performance of the new digital services (+4.4% compared with 2015). The fourth quarter does however show a reversal in the trend, with a significant recovery of performance (fourth quarter +2.2%, third quarter -4.4%, second quarter -5.6%, first quarter -7.9%);

Fixed service revenues fell by 118 million euros (-3.7% compared with the previous year), despite the constant growth in revenue from ICT services (+3.1%), particularly Cloud services. In fact, the segment continues to be affected by the slow recovery in the broader economy, the fall in the prices of traditional voice and data services, and the technological shift towards VoIP systems.

Wholesale: the Wholesale segment presented revenues of 1,780 million euros in 2016, down by 47 million euros (-2.6%) compared with 2015, entirely due to the reduction in regulated prices, which had a negative effect of 46 million euros.

u **International Wholesale Telecom Italia Sparkle Group Revenues**

The Telecom Italia Sparkle - International Wholesale Group revenues for 2016 totalled 1,351 million euros, an increase compared with 2015 (+37 million euros, +2.8%). This result is due to the increase in revenues from Voice services (+34 million euros +3.7%) while the other business lines are substantially stable.

The Domestic Business Unit **EBITDA** in 2016 totalled **6,698 million euros**, having increased by 1,131 million euros compared with 2015 (+20.3%), with an EBITDA margin of 44.6% (+7.5 percentage points compared with 2015). This result also suffered the negative impact of non-recurring charges for a total of 182 million euros, significantly lower than those recorded in 2015 (1,028 million euros).

The details are shown below:

- u 144 million euros for labour costs (429 million euros in 2015)

- u 38 million euros for charges consequent on disputes and fines of a regulatory nature, and related liabilities, charges connected to disputes with former employees, amounts owed to customers and suppliers and costs connected to the management of trade receivables management (599 million euros in 2015).

Without these charges, the organic change in EBITDA would have been +4.3%, with an EBITDA margin of 45.8%, 1.8 percentage points up on 2015, confirming the positive and solid inversion of the trend that was already evident in the second quarter (first quarter -5.2%, second quarter +6.9%, third quarter +7.8%, fourth quarter +7.5%).

EBIT for 2016 totalled **3,376 million euros** (+1,017 million euros, +43.1% compared to 2015), with a margin of 22.5% (+6.8 percentage points). The trend in EBIT reflects the positive trend in EBITDA presented earlier, partially offset by the 105 million euro increase in amortisation and depreciation.

EBIT of 2016 suffered the negative impact of non-recurring charges for a total of 182 million euros. Without these, the organic change would have been +5.0%, accounting for 23.7% of revenues.

The **headcount**, at 51,280, decreased by 1,364 from the number at 31 December 2015, despite the incorporation of the Media Business Unit, in the absence of which the decrease would have been 1,426 employees.

BRAZIL (average real/euro exchange rate 3.85935)

The **revenues** of **TIM Brasil** in 2016 totalled **15,617 million reais**, down by 1,525 million reais (-8.9%) compared to the previous year. Revenues from services reached 14,720 million reais, with a reduction of 667 million reais compared to 15,387 million reais in 2015 (-4.3%).

Mobile ARPU in 2016 was 18.0 **reais** compared with 16.7 reais in the previous financial year (+7.8%).

The **total number of lines** at 31 December 2016 was **63 million**, a reduction of approximately 3 million (-4.3%) on the figure at 31 December 2015; market share at the end of December 2016 was 26% (25.7% at 31 December 2015).

Revenues from product sales stood at 897 million reais (1,755 million reais in 2015; -48.9%); reflecting a sales policy less focussed on the sale of handsets, as well as the impact of the Brazilian economic crisis on family spending decisions.

Performance in the fourth quarter confirms the recovery trend compared with the last financial year, as already evidenced in the previous quarter, both in total revenues of 4,043 million reais (-1.7% compared with -15.3% in the first quarter, -12.4% in the second quarter and -5.2% in the third quarter) and in the revenues from services of 3,842 million reais (-0.7% compared with -8.3% in the first quarter, -5.9% in the second quarter and -2.4% in the third quarter), primarily thanks the constant improvement in service revenues generated from mobile clients.

EBITDA of 5,114 million reais was 251 million reais lower than the 2015 financial year (-4.7%). However, the decline in the EBITDA compared with the previous year recovered considerably **during the last quarter** which, thanks to the efficiency plans on the structure of operating costs and repositioning of commercial offers launched in the second quarter, showed a significant improvement in performance, with a **positive change of 5.8%** compared with the previous year. The costs of acquiring goods and services were noticeably lower in all sectors than in 2015 a fall of -1,207 million reais (-13.4%); however, labour costs increased (+7 million reais; +0.5%), mainly due to salary adjustments to inflation and the presence of non-recurring charges due to early retirement costs totalling 56 million reais, and other operating costs (+212 million reais; +12.2%) including the increase in the tax on telecommunication activities.

The **EBITDA margin** was 32.7%, up 1.4 percentage points on 2015.

EBIT amounted to **1,418 million reais** a downturn of 940 million reais on 2015. This result reflects the lower contribution made by EBITDA, the effect of greater depreciation and amortisation (+423 million reais) and less benefit from the sale of the telecommunications towers, which in 2015 had generated a capital gain of 1,211 million

reais, compared to a capital gain of 44 million reais in 2016.

The **headcount** stood at **9,849 employees** (13,042 at 31 December 2015).

TIM S.p.A.

Revenues reached **13,670 million euros**, down by 127 million euros (-0.9%) compared to 2015. The results confirm a trend of constant improvement supported by structural growth in Mobile revenues - due to both retention of market share and to stabilisation of ARPU levels - as well as to the progressive recovery in Fixed revenues, thanks to the major reduction in the access loss dynamic. Revenues from the sale of Internet connectivity and entertainment service enabling products (smart phones, smartTVs) in particular, contributed positively to this trend.

EBITDA totalled **6,304 million euros** an increase of 1,038 million euros (+19.7%) compared to 2015 (5,266 million euros), with a margin of 46.1% (38.2% in 2015).

EBITDA in 2016 suffered the negative impact of non-recurring charges totalling 156 million euros (1,021 million euros in 2015). Without these charges, the organic change in EBITDA would have been +2.8%, with an EBITDA margin of 47.3%, up 1.7 percentage points on 2015.

EBIT totalled **3,134 million euros**, 946 million euros higher than in 2015 (positive for 2,188 million euros). The EBIT margin fell from the 15.9% of 2015 to 22.9% in 2016. EBIT in 2016 reflected the negative impact of non-recurring net charges totalling 156 million euros (1,021 million euros in 2015). Without these charges, the organic change would have been +2.5%, with a margin of 24.1%, 0.8 percentage points lower than in 2015.

The **2016 profits** of TIM S.p.A. Totalled 1,897 million euros (loss of 456 million euros at 31 December 2015), and benefit from non-recurring net incomes totalling 205 million euros as well as some items of a purely accounting and valuation nature, which do not generate any financial adjustments, connected in particular with the valuation at fair value of the implicit option included in the Mandatory Convertible Bond issued late 2013 with maturity at three years. In the absence of these impacts, the 2016 result would have been around 1.3 billion euros, almost 0.4 billion euros higher than the amount for 2015 (over 0.9 billion euros).

NEW PROJECT TO DEVELOP AN ULTRABROADBAND FIXED NETWORK IN THE WHITE AREAS: TIM IS AT LEAST TWO YEARS AHEAD ON THE STRATEGIC PLAN TARGET FOR 95% COVERAGE OF THE COUNTRY. IN 2019 IT WILL REACH 99%, MAINTAINING UNCHANGED THE CAPEX ENVISAGED IN THE PLAN

The Board of Directors of TIM has approved the project presented by Chief Executive Officer Flavio Cattaneo to create a company dedicated exclusively to the selective development of new fibre infrastructure in the areas included in the cluster classifications C and D (the rural or so-called white areas) based on the EU regulations.

The Project is in line with the 2017-2019 Strategic Plan, approved by the Board, and does not envisage an increase in the level of investment that the TIM Group has already planned.

In fact, the project is to create a company with a financial partner as majority shareholder, to be chosen in the coming months. The procedure to identify a suitable partner is already underway.

Creating this partnership will mean that, through the new company, TIM will be able to achieve its targets to cover the country with Ultrabroadband almost 2 years ahead of the schedule set out in the three year plan. Thanks to this acceleration in Clusters C and D, the target of 95% coverage of the Italian population with UBB connections will be reached in mid-2018, while coverage will increase to 99%, also with the contribution of wireless technologies, at the end of the current plan in 2019. To create this infrastructure, the new company will use the best technologies available on the market, with FTTC architecture providing speeds of up to 300 Mbps. Over 6,000 municipalities will be affected by the project, with over 7 million homes to be connected. The company will offer all operators wholesale connection services, guaranteeing equal treatment.

EVENTS SUBSEQUENT TO 31 DECEMBER 2016

Six and a half year bond issue for 1 billion euros

See the Press Release on the same subject issued on 12 January 2017.

OUTLOOK FOR THE 2017 FINANCIAL YEAR

The 2017-2019 three year strategic plan envisages continuing the process of significant transformation of the company. It is an integrated plan that combines growing revenues and EBITDA with financial discipline and efficiency, focusing on maximising return on investment, with the aim of affirming TIM as a market reference point in terms of quality in Fixed and Mobile telephony through an approach based on content, convergence, ICT services, innovation and a close relationship with its customers.

The strategy is based on an excellent network infrastructure, the creation of which will be further accelerated over the Plan period. In particular, 11 billion euros worth of investments are planned in Italy, approximately 5 billion of which to accelerate the development of the ultrabroadband networks.

Particular focus will be placed on convergence and content, also thanks to the launch of national and international co-productions through TIMvision. This will strengthen the business model based on the best infrastructure and excellent customer service, which is increasingly focussed on the availability of premium digital content and services, including exclusive content.

In the Domestic Mobile sector, in a competitive context which will be increasingly polarised and characterised by data consumption that will continue to grow, TIM will focus on speeding up the penetration of mobile ultrabroadband, backed by the extensive reach of its 4G network and its offer of quality content.

LTE customers are therefore expected to account for around 90% of Mobile Broadband customers by 2019, thanks to almost blanket coverage of the country at 75 Mbps, with peaks of 500 Mbps in major cities – the first operator in Europe to achieve this - thanks to the use of carrier aggregation technologies.

In the Fixed Domestic segment the Group plans to reduce line losses - falling customer numbers - to zero by 2018, in part by accelerating the availability and consequent adoption of optic fibre. A key role will be played by a sales strategy aimed at retaining current customers through, for example, the supply of devices and home appliances connected to the domestic network – the Internet of Things – which can be paid for directly in the phone bill.

The Plan is also characterised by firm financial discipline and strong cash-flow generation, which will allow the Group to reduce the ratio of adjusted net financial debt to reported EBITDA to less than 2.7x in 2018. This is also thanks to the planned efficiency recovery initiatives.

The efficiencies on the opexes and capex over the life of the plan are expected to total 1.9 billion euros, through three levers also aimed at increasing cash-flow generation: cost optimisation, streamlined organisation and process transformation.

Finally, the Plan provides for the relaunch of the main subsidiaries of the Group: synergies with Inwit will be maximized, for example, by connecting all of the Company's towers with optic fibre; Olivetti will be able to leverage the value of its brand to offer cutting-edge design products and ICT services. Telecom Italia Sparkle will continue its growth phase, identifying synergies with the Business department of TIM for the management of international customers, and it will assess inorganic growth options too.

In Brazil the Plan is to continue with the relaunch of Tim Brasil, repositioning the subsidiary based on the quality of its offer and its networks and convergence, to allow it to compete successfully in the post-paid segment while also returning to solid profitability. In particular, there will be a further boost to the creation of UBB mobile infrastructure by the end of the Plan, 95% of the population will have access to 4G with coverage in approximately 3,600 towns - and to the development of convergent offers also thanks to agreements with the main producers of premium content.

The Plan strategy, focused on significant infrastructure investments aimed at increasing the availability and take-up of innovative services, leads to the following Group objectives being defined for 2017:

u Domestic revenues and EBITDA: low single digit growth

u Ratio of adjusted net financial debt to reported EBITDA: decreasing, to be less than 2.7x in 2018.

CAPITAL INCREASE

The Board of Directors has determined that the performance parameters for the options assigned under the 2014-2016 Stock Option plan approved by the Shareholders' Meeting on 16 April 2014 (information document available on the website www.telecomitalia.com) have been partially achieved.

It consequently set about issuing a maximum of 15,280,446 ordinary shares to service the exercise of the same number of options (and thus for a maximum capital of 8,404,245.30 euros), reserved for three years to subscription by the beneficiaries of the Stock Option Plan, at prices varying from 0.94 to 1.15 euros per share, depending on the time of assignment of the options. The resolution is being published, together with the updated version of the Company Bylaws.

CALL OF THE SHAREHOLDERS MEETING

The Board of Directors has resolved to call the Shareholders' meeting for 04 May 2017 (single call), at the auditorium in Rozzano (Milan), Viale Toscana 3.

The following will be proposed to the Shareholders' meeting:

that it approve the financial statements for the year 2016 and distribution of the privileged dividend for savings shares only, totalling 2.75 eurocents per share (in accordance with the previously announced dividend policy);

that it approve the remuneration report, pursuant to law;

that it appoint the new Board of Directors, after the expiry of the mandate of the current Board. The amounts for dividends will be payable in favour of entitled parties, on the basis of the evidence of the share deposit accounts at the end of the record date of 20 June 2017, starting from the coming 21 June 2017, while the coupon date will be 19 June 2017.

The appointment of the new Board of Directors will, for the first