



TIM Group

2Q'18 Results

July 25th, 2018

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Safe Harbour

This presentation contains statements that constitute forward looking statements regarding the intent, belief or current expectations of future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the TIM 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.

The financial and operating data have been extracted or derived, with the exception of some data, from the TIM Group Half-year Condensed Consolidated Financial Statements at 30 June 2018 which have been prepared in accordance with the International Financial Reporting Standards issued by IASB and endorsed by the EU (IFRS). The limited review on such interim consolidated financial statements by the external auditors (PwC) has not been completed.

The first half results include the effects arising from the adoption, starting from 1 January 2018, of the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. To enable the year-on-year comparison of the economic and financial performance for the 2Q2018 and first half of 2018, this presentation shows “comparable” statement of financial position figures and “comparable” income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretation).

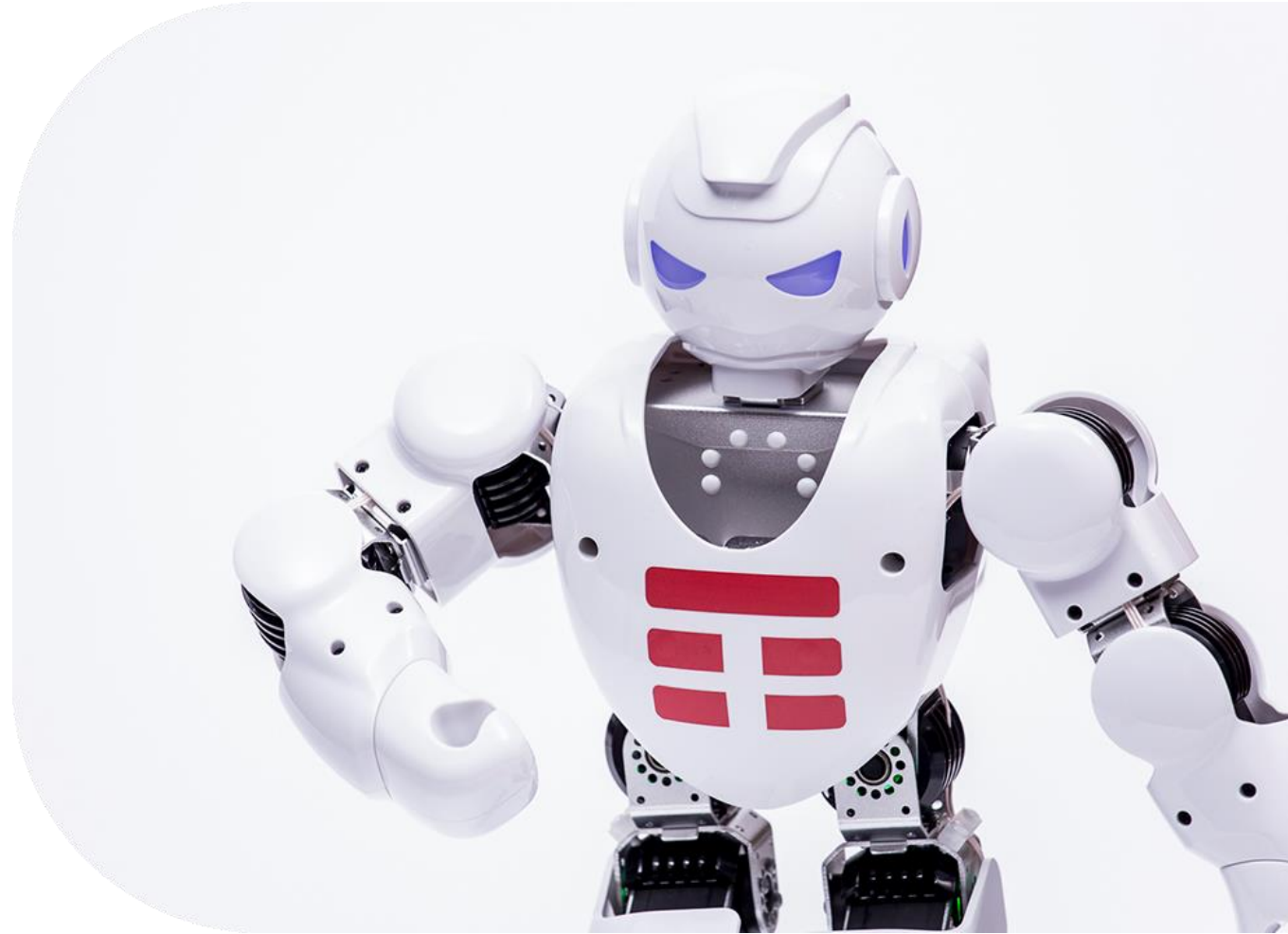
2Q'18 Results

1 Highlights and Main Trends

2 Financial Update

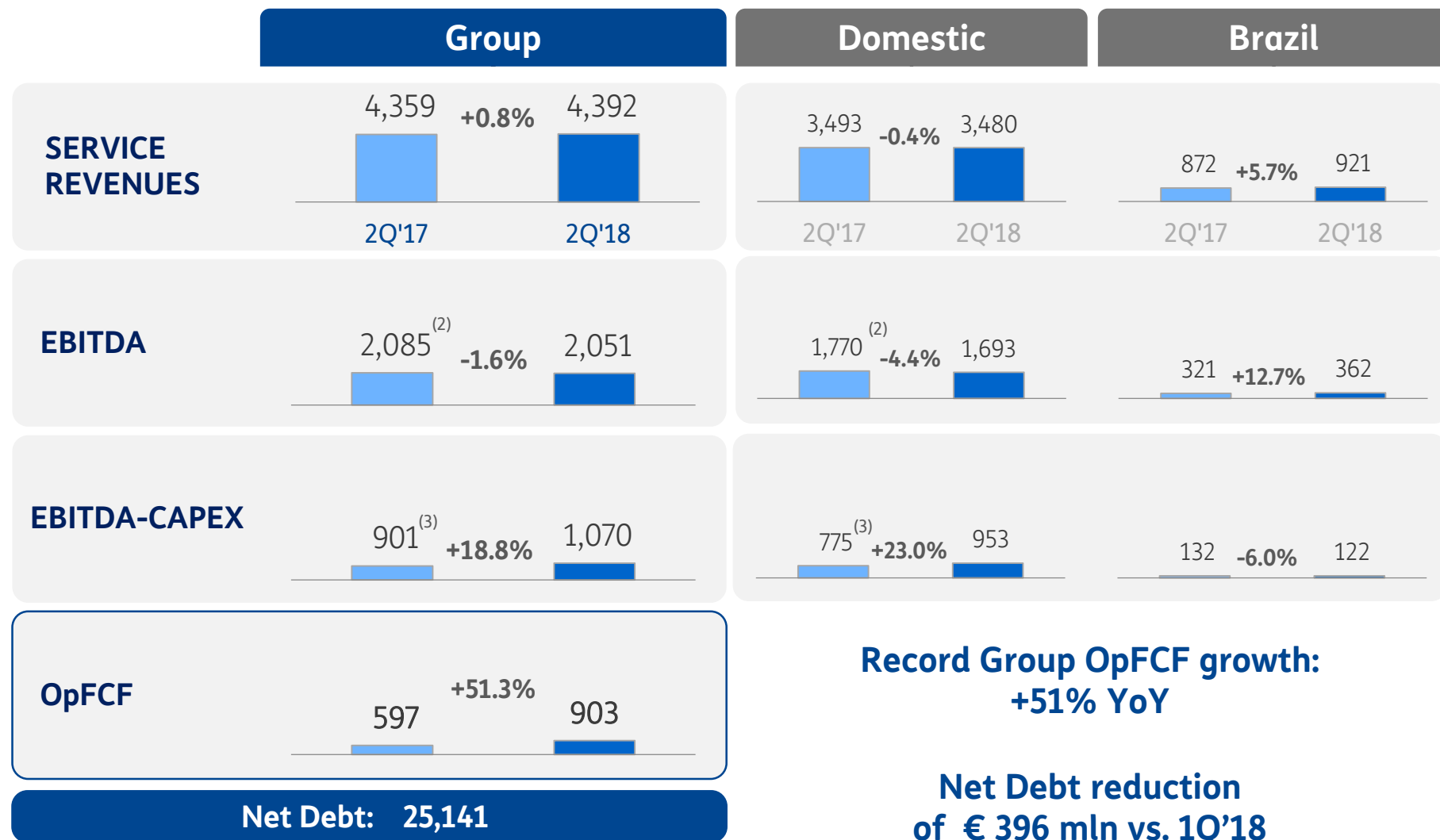
3 DigiTIM Progression

4 Closing Remarks



2Q'18 Main Results: Positive Group Revenues Performance, Solid CF Generation

Organic data⁽¹⁾, €mln



Highlights

Positive Group Service revenues and double digit EBITDA-CAPEX growth.

Resilient Domestic Service Revenues despite:

- end of 28-day repricing cycle on fixed (started in April 2017)
- direct and indirect ⁽⁴⁾ effect from 28-day billing roll-back both on fixed and mobile

Net of Operational delays, Regulatory impacts and non-linear items comparison ⁽⁵⁾, Stable Organic Domestic Ebitda YoY

Continued strong performance in Brazil, with impressive growth in Service Revenues and Ebitda

Record Group OpFCF growth: +51% YoY

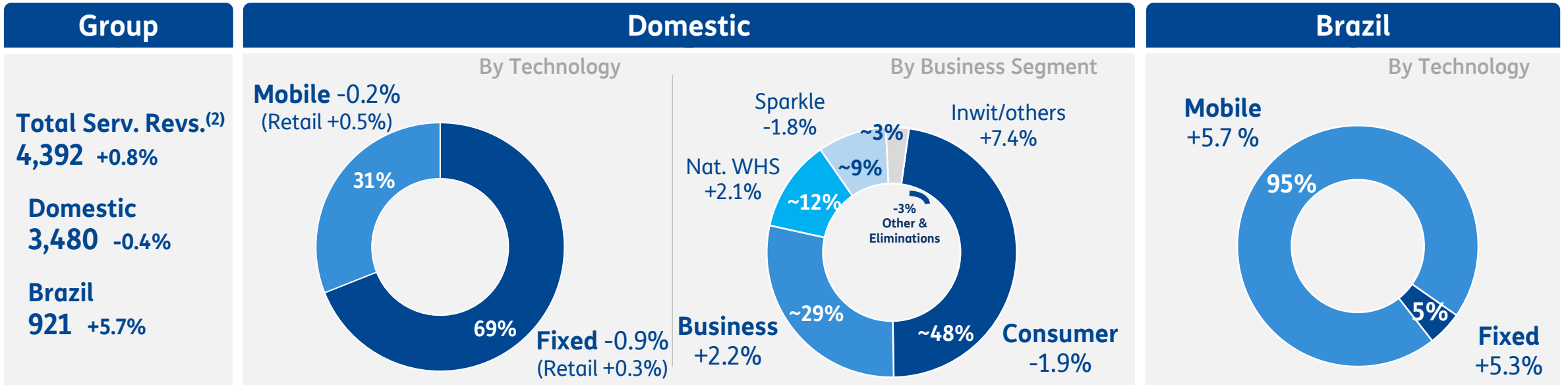
Net Debt reduction of € 396 mln vs. 1Q'18

- (1) Excluding exchange rate impact and non-recurring + one-off items
 (2) These 2Q'17 Organic Ebitda representations exclude as a one-off item 39 € million of liability reversals. Before this change, Group Organic Ebitda stands at 2,124 mln €, and its YoY performance at -3.4%; Domestic Organic Ebitda stands at 1,809 mln €, and its YoY performance at -6.4%
 (3) Ebitda-Capex including one-offs would have been: € 940 mln in 2Q'17 (+13.8%

- YoY) for the Group, € 814 mln in 2Q'17 (17.1% YoY) for Domestic
 (4) Mainly churn due to 30-day free opt-out window after re-pricing
 (5) Organic Domestic Ebitda YoY normalized comparison: -80 mln € abs.delta YoY, o/w -19 mln € Solidarity, -12 mln € 2017 Bitstream prices, -13 mln € Roam like at home, -8 mln € 28-day billing roll-back direct effect, -28 mln € Vendor Rebates

2Q'18 TIM Group Service Revenues Breakdown

Organic data⁽¹⁾, €mln, % YoY



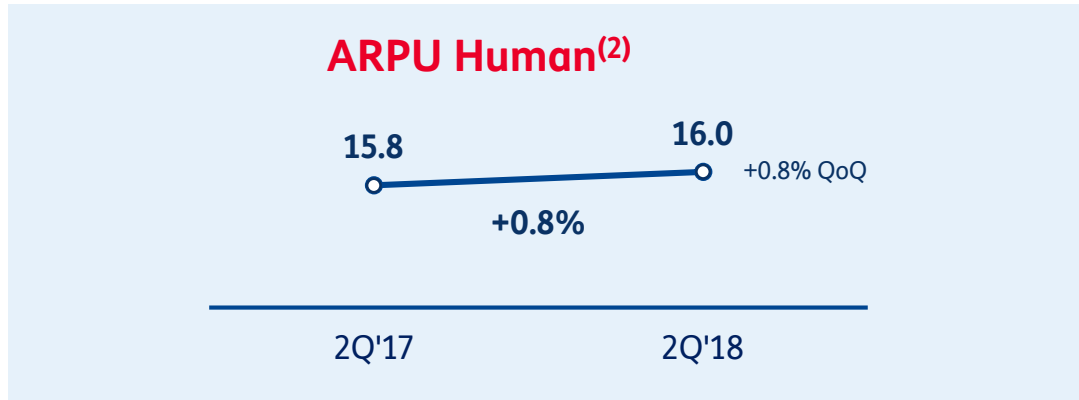
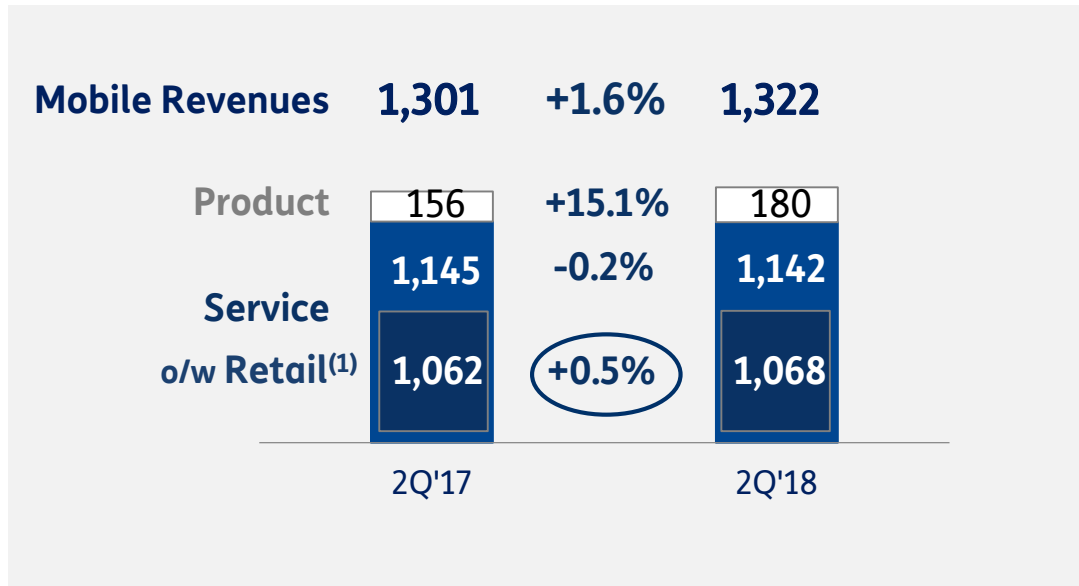
Highlights

- Mobile:** Total service revenues slightly below parity due to lower Wholesale and Inwit third party contribution. Retail service revenues are positive YoY.
- Fixed:** Total service revenues impacted by International Wholesale. Positive retail service revenues, supported by growing ARPU
- Business:** Continued robust revenue growth, steady customer base
- Consumer:** impacted by direct and indirect effects of 28-day billing, both on fixed and on mobile
- National Wholesale:** more fiber and growth of non regulated components
- Sparkle:** further impacted by YoY drag on IP contracts
- Inwit:** continued strong organic growth
- Mobile:** upselling strategy continues. ARPU and postpaid customer base up
- Fixed:** TIM Live posts solid, continued, revenue growth

Domestic Mobile: Growth in Lines and Value

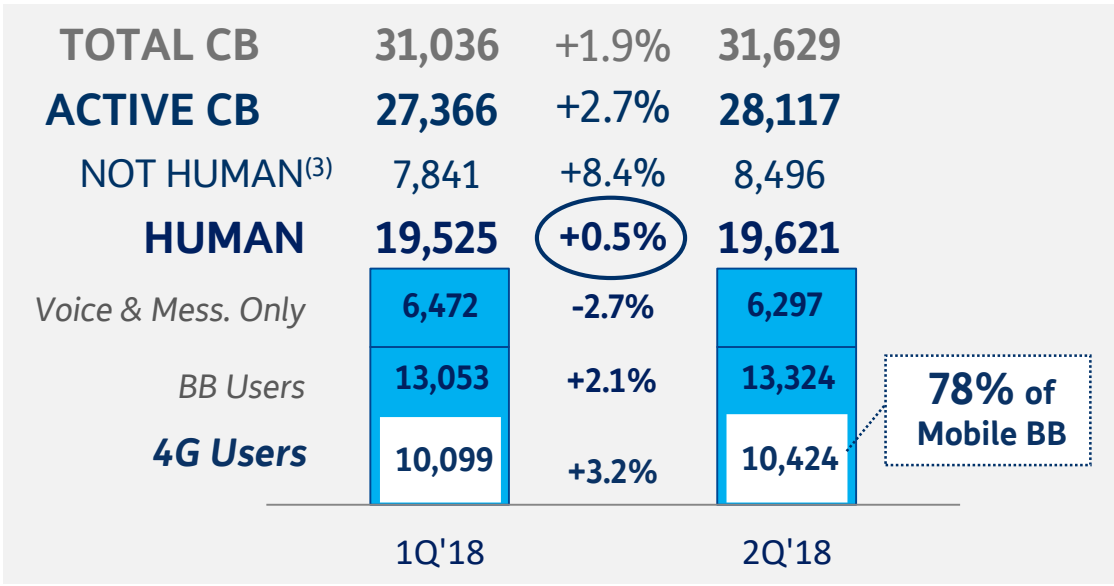
Revenues & ARPU

Organic data, €mln, ARPU €/month



Customer Base

k, Rounded numbers



Kena second brand strategy paying off

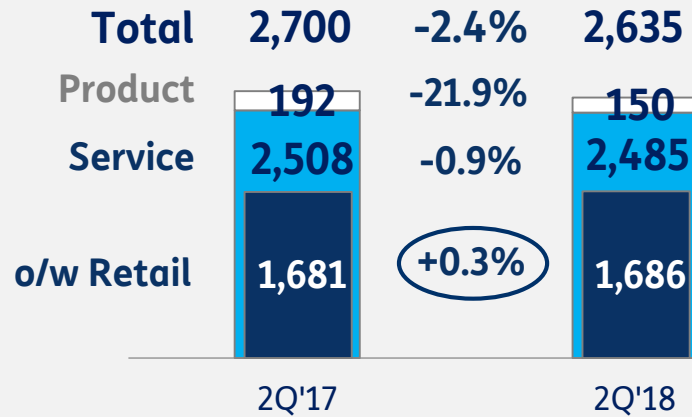


(1) Retail excludes WHS, Inwit third-party contribution and Other
(2) ARPU Human: service revenues net of visitors (2Q'17 € mln 1,110, 2Q'18 € mln 1,109) on human lines (2Q'17 23,479k, 2Q'18 23,132k)
(3) Includes M2M and Business-Segment Large Screens (for Inventory & Fleet Management etc.)

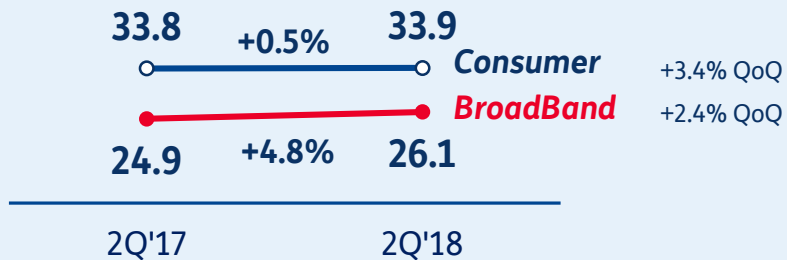
Domestic Fixed: Premium Positioning, Resilient Performance, UBB Growth

Revenues & ARPU

Organic data, €mln, ARPU €/month



ARPU

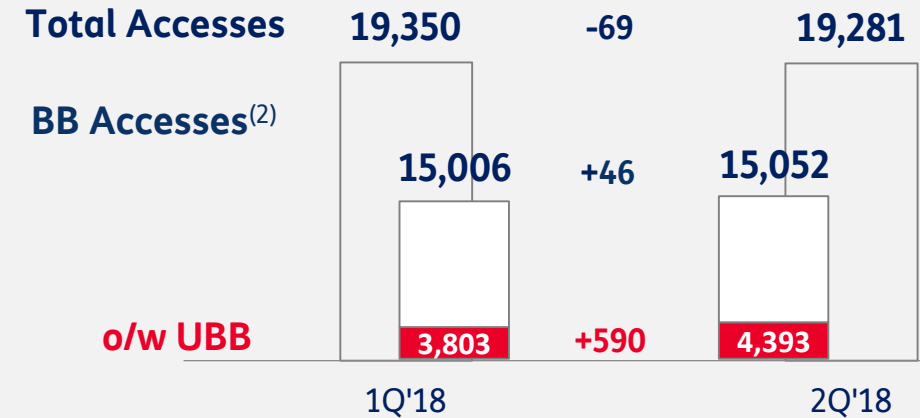


TIM Vision: +204k fixed customers, 14% QoQ CB growth ⁽¹⁾



Fixed Accesses

k, Rounded numbers, Δ QoQ

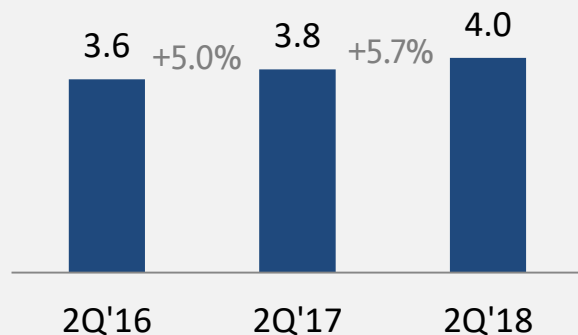


Total Accesses	1Q'18	2Q'18	delta
Retail ⁽³⁾	11,284	11,203	-82
Wholesale	8,065	8,078	+12
BB Accesses			
Retail ⁽³⁾	7,527	7,547	19
Wholesale	2,810	3,052	242
o/w UBB			
Retail ⁽³⁾	2,484	2,776	292
Wholesale	1,319	1,617	298

TIM Brasil: Continued Solid Performance

Organic Performance, R\$mIn, Rounded numbers

Net Service Revenues



Total Net Revs.

R\$ 4.2 Bln **+5.8%**
YoY

MSR

R\$ 3.8 Bln
+5.7 %
YoY

TIM Live Revs.

R\$ 0.09 Bln
+41.0 %
YoY

EBITDA
R\$ 1.6 Bln
+12.7%
YoY

EBITDA
Margin
37.2 %
(+2.3 p.p YoY)

Capex
1.02 Bln
+25.8%
YoY

EBITDA – Capex
R\$ 0.5 Bln
-6.0% YoY
(1H18 +17.3 YoY)

Mobile
ARPU
R\$ 21.9
+13.0%
YoY

12M Postpaid
Net Adds
+3.2 Mln
(CB: 19.1 Mln)

TIM Live
Arpu
R\$ 72.1
+12.7%
YoY

12M Fixed
UBB Net
Adds
+75k
(CB: 423k)

700 Mhz
cities
1,131
+215
vs 4Q'17

FTTH¹ HH
+519 (000)
vs 4Q'17

Highlights

- Strong growth in a weaker macro
- Double digit mobile and fixed UBB ARPU growth
- CAPEX phasing leaves FY outlook unchanged
- 2018 efficiency target achieved, supporting EBITDA margin expansion
- Strong operational and network metrics confirmed

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Domestic Ebitda Affected by Operational Delays, Regulatory Impacts, Non-linear items and One-offs

2Q'18

Operational Delays

- Solidarity labour agreement delay -19.5 mln €

Regulatory Impacts

- WHL Bitstream '17 Retroactive Prices -12.3 mln €
- Roam-like-at-home -12.7 mln €
- 28-day billing roll-back direct effect ⁽¹⁾ -7.6 mln €

Non-linear items

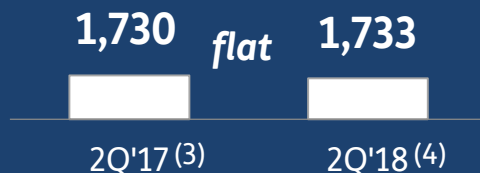
- Vendor Rebates -27.7 mln €

One-Offs

- Liability Reversals ⁽²⁾ -38.6 mln €

Δ EBITDA YOY = -118.4 mln €

Normalized Domestic Ebitda YoY



2H'18

New Solidarity Agreement was implemented from June '18, 19th

Specific on 2Q'18 only

Comparison cycle ended in June '18

Ongoing effect

YoY delta normalizing after peak

In 3Q'18 and 4Q'18 there will be similar impacts to 2Q'18. Effects will terminate YE'18

- (1) € 8 mln Direct Impact of 28 Days billing roll-back (+7.8% on Fixed and +8.2% on Mobile vs +8.6% 2017 Price Effect)
- (2) Now excluded from 2Q'17 Organic Domestic Ebitda
- (3) Adjusted for WHL Bitstream '17 Retroactive Prices, Vendor Rebates and Liability Reversals. The latter relate to the rebasing of past liabilities performed in 2017
- (4) Adjusted for Solidarity, Roam-like-at-home, 28-day billing roll-back direct effect

Domestic OPEX: Positive Addressable Base Performance affected negatively by Other elements

Organic data, €mln

	2Q17		2Q18
Addressable Cost Base	1,816	-1.5%	1,790
Commercial	769	1.4%	780
Industrial	243	-4.5%	232
G&A, IT	131	-5.3%	124
Labour	673	-2.9%	654
<hr/>			
Other	254	72	326
Interconnection	362	12	374
Credit Cost ⁽¹⁾	24	26	50
Bad Debt & Other	24	22	46
Capitalized Cost & Other ⁽²⁾	-156	11	-145
<hr/>			
Total Opex	2,070 ⁽³⁾	2.2%	2,116

- Rigorous Cost discipline driving positive performance on addressable baseline
- Sales-related Costs increased YoY supporting Commercial performance
- Industrial: efficiencies achieved in Real Estate (office space reduction) triggered also Energy savings. Wholesale delivery standards improved, offering better assurance
- Zero-base budget on G&A and IT
- Labour cost savings more than compensated delay in Solidarity Agreement
- Increase in Other due to Credit Costs, Bad Debt, Vendor Rebate Contributions ⁽⁴⁾ and Interconnection

(1) Associated to sales of receivables

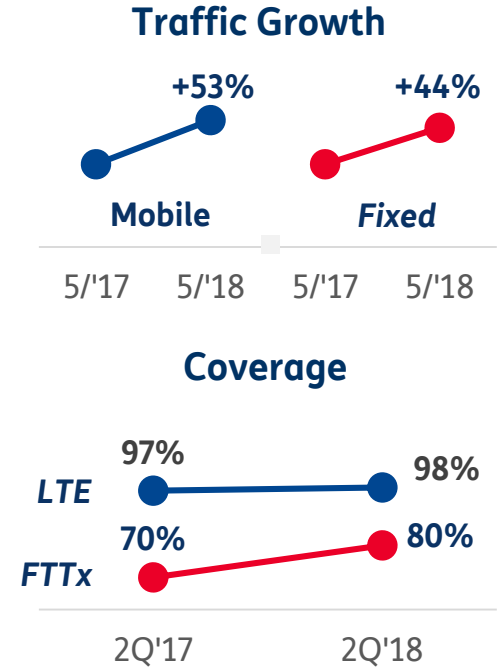
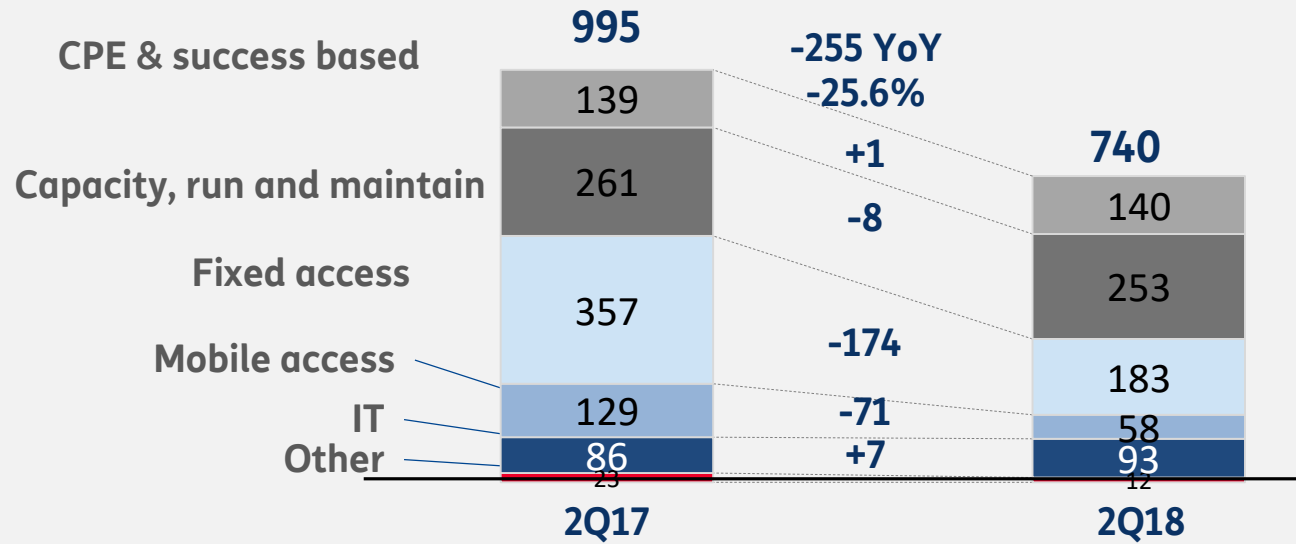
(2) Capitalized costs are essentially those associated with delivery and activation of fixed lines, with directly related IT and Network costs, which are smoothed on an average 5-yr basis

(3) 2Q'17 Organic Domestic Opex is changed to €2,070 mln (€2,031 mln plus €38.6 mln of liability reversals)

(4) Accounted under «Capitalized cost & other»

Domestic CAPEX: Optimization and Smart Allocation support EFCF

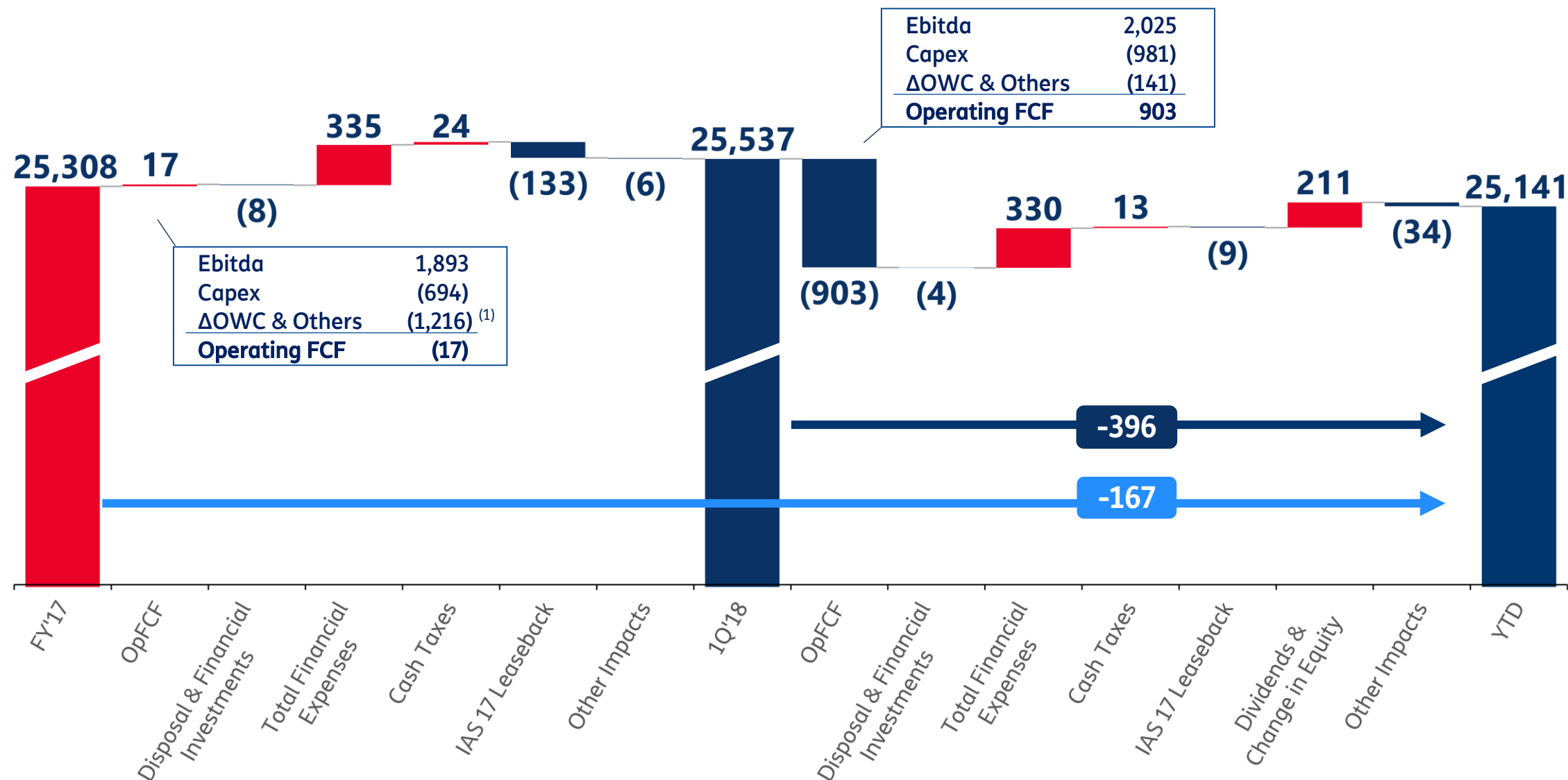
Organic data, €mln, Δ YoY



- Coverage improved in line with plan
- Fixed Access YoY reduction derives from having reached ~80% FTTC coverage. Fixed Access Expansion now mainly FTTH
- 4G access temporary reduction due to phasing towards up-and-coming VRAN technology
- Heavy traffic growth fully sustained
- Optimization in Procurement

Relevant Debt Reduction YTD

€mln; (-) = Cash generated, (+) = Cash absorbed, excluding call-outs



(1) O/w € 379 mln was the impact from changed-by-law VAT Payment. No further related drags to occur after 1Q'18

2Q'18 Results

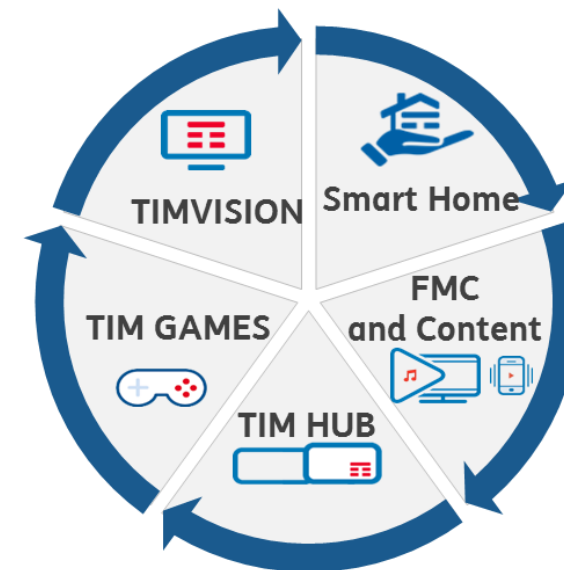
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Key Domestic Commercial Actions

Convergence Step-Up on Consumer

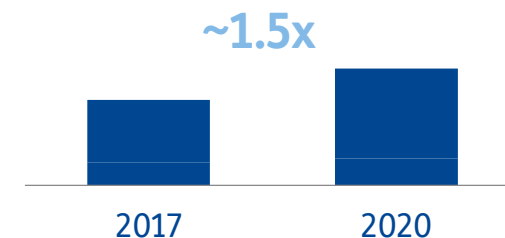
- **More than 40% of Fixed BB Consumer** customer base are both fixed and mobile TIM customers
- Strong push on new **convergent loyalty program** (TIM Party) with strong communication plan (TV, digital...): ~ 500k customers joining since launch (May)
- **Fixed-to-Mobile convergence** reinforced with TIM Connect offer
- **Mobile-to-Fixed convergence** reinforced with 5GB offer (TIM 100%)
- Additional digital services on wireline: **Smart Home** and **TIM Games**



More IT Services for Business

- Evolution towards “**ICT company**”
- **Public cloud** and **managed services expansion** to further grow Large clients base
- Tapping of **basic IT opportunity** to improve **SME's revenues mix**
- Fiber and VOIP migration to protect SME's ARPU level

IT & Cloud Revenues



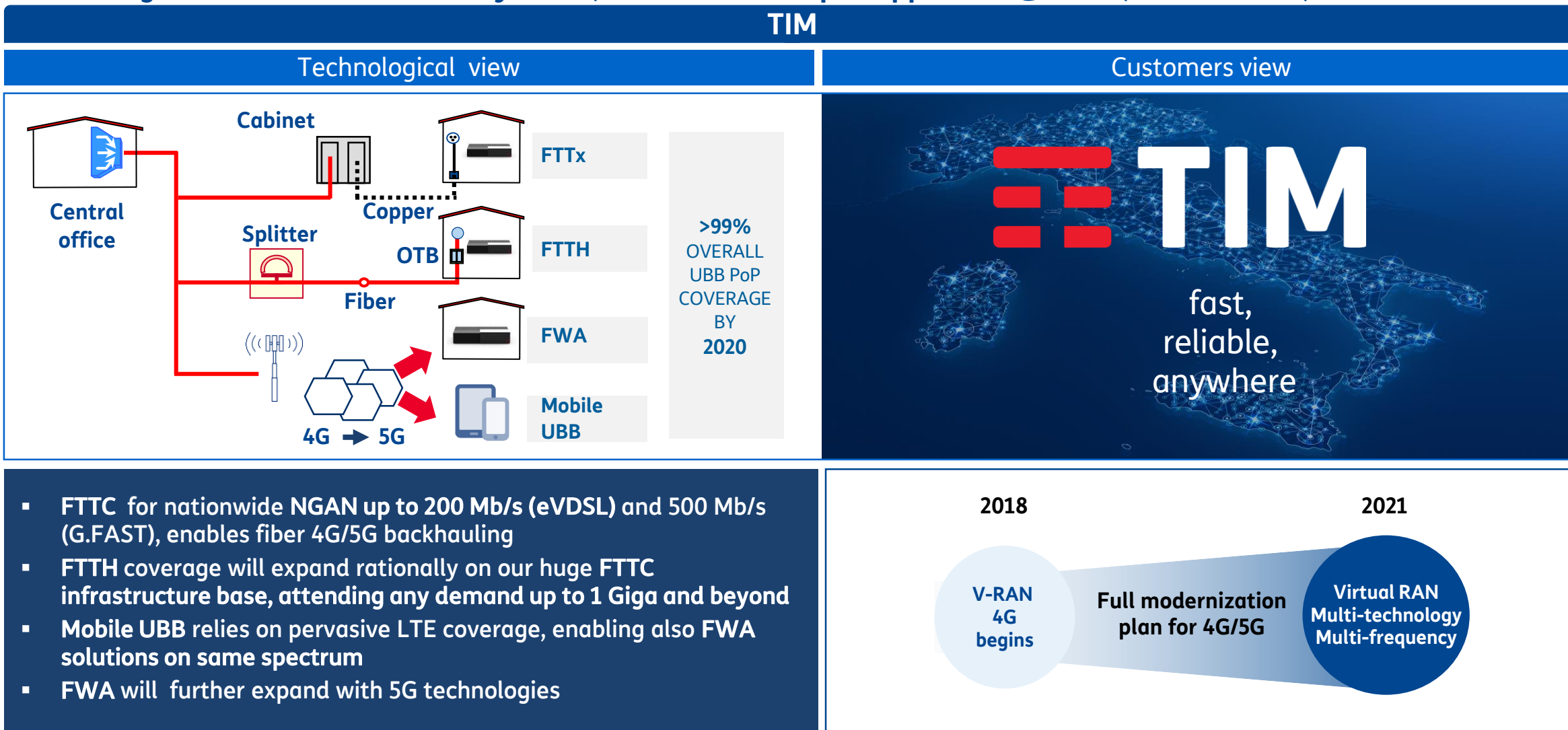
Grow IT & Cloud to become 25% of total Business revenues

Transformation Drives Productivity

Caring	Automated first set of back office processes	<ul style="list-style-type: none"> Introduced new lean way of working to improve agents productivity
WHS Infrastructures, Network & Systems	On-field technicians productivity	<ul style="list-style-type: none"> +9% of daily equivalent activities per technician
Opex / Capex efficiencies	Contract renegotiation	<ul style="list-style-type: none"> ~50% of planned professional services renegotiation completed
Integrated decommissioning	Become lean, fast and agile, embracing Distributed Edge Cloud paradigm and reinforce TIM Technologic leadership	<ul style="list-style-type: none"> Acceleration of central offices decommissioning; moving toward a full-IP network platform to significantly reduce running costs
Digital & Advanced Analytics (AA)	Advanced Analytics enabled campaign	<ul style="list-style-type: none"> New wave of loyalty campaigns on Fixed and Mobile
Insourcing	Further reduce third party professional services costs, and leverage TIM workforce through re-skilling programs	<ul style="list-style-type: none"> Systematic cross-BU review effort, training, re-deployment and launch of multiple waves of insourcing

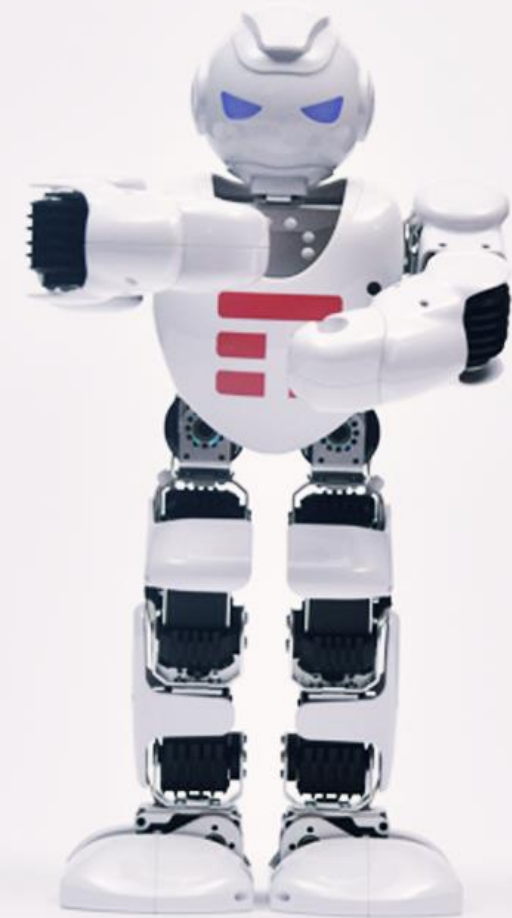
TIM Multi-technology UBB approach

TIM UBB plan is composed of a mix of technologies, fulfilling 2020 Digital Agenda and market requirements, addressing all customers needs everywhere, with a smart-capex approach: @ home, on the move, in the office.



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Closing Remarks



2Q'18 Operational Achievements:

- Domestic: Premium positioning maintained, Strong KPIs Performance
- Effective cost management and strong increase in Group cash generation



Moving on with extraordinary Projects:

- NetCo
- 5G
- Disposal of non-core assets



Company fully committed to DigiTIM Plan

Thank You

For further questions please contact the IR Team

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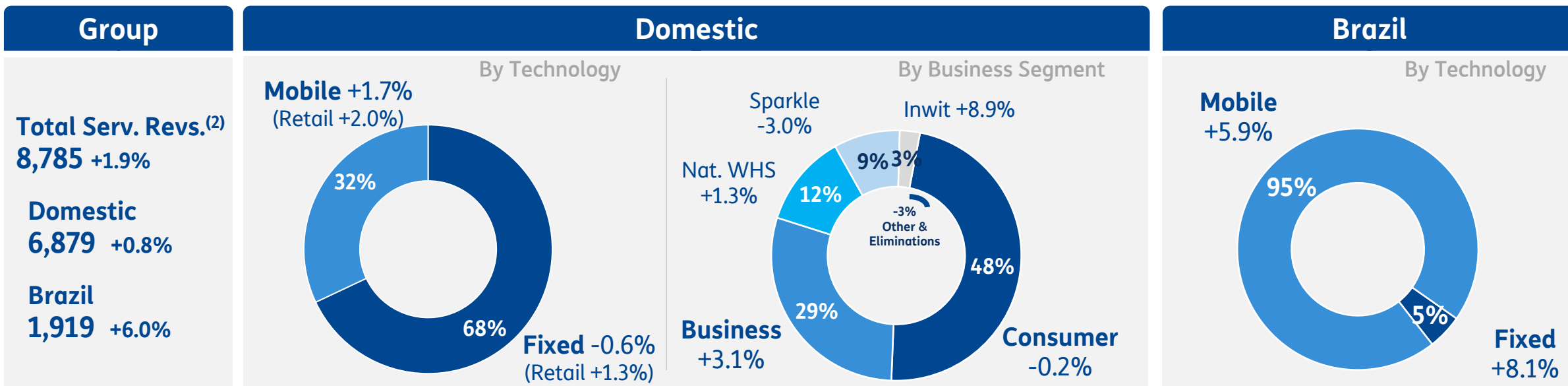
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Annex



1H'18 TIM Group Service Revenues Breakdown

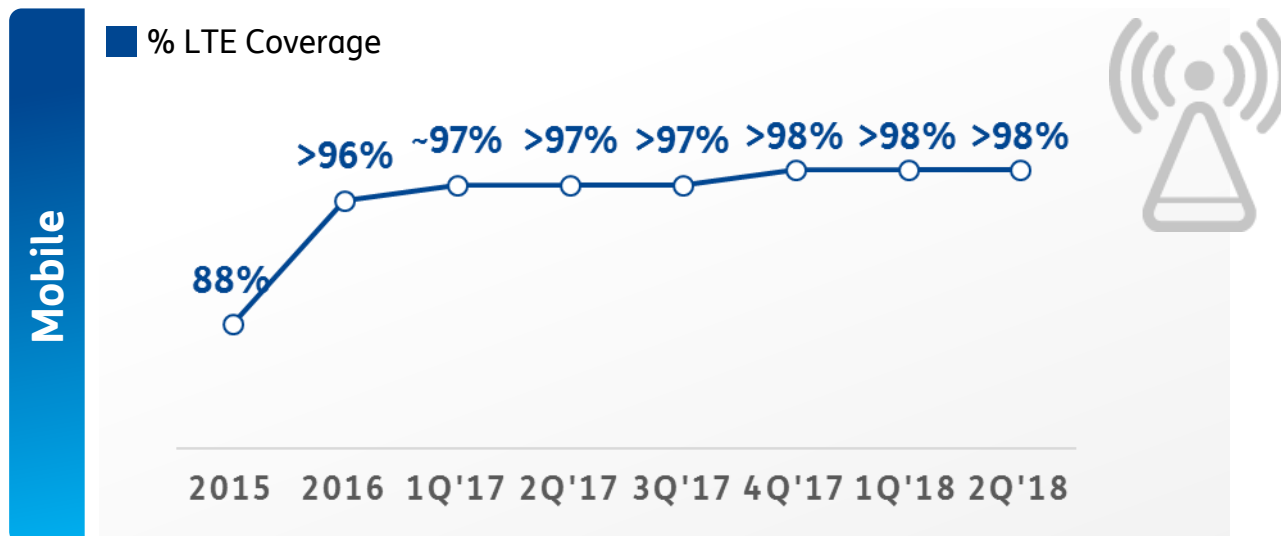
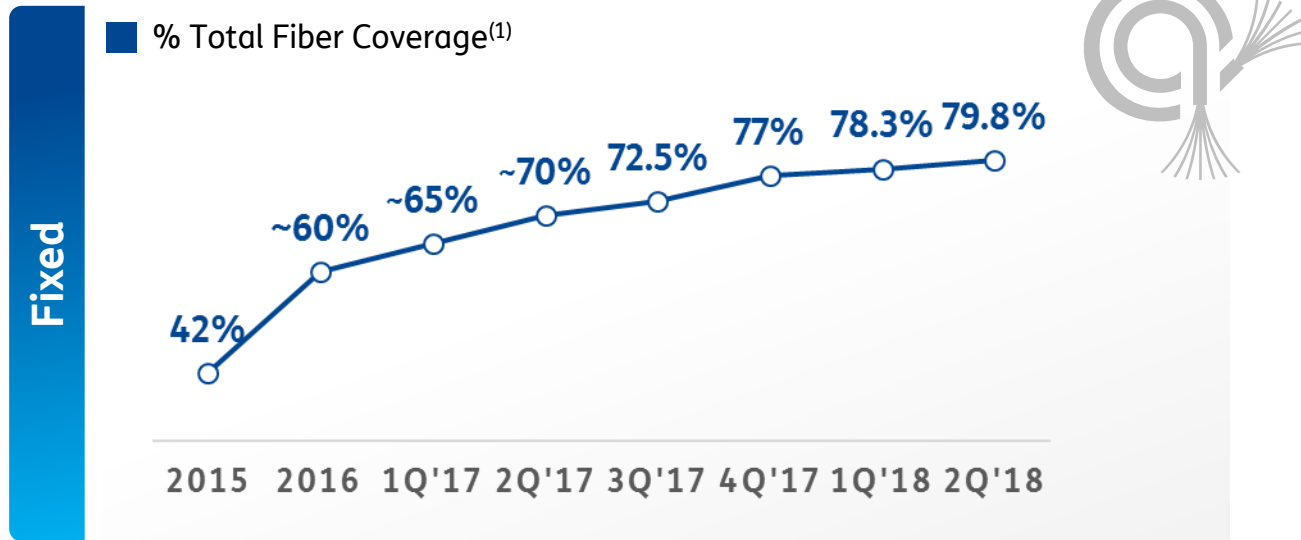
Organic data⁽¹⁾, €mln, % YoY



Highlights

- **Mobile:** Positive performance with low single digit growth in the first half, due to operational improvements more than compensating regulatory and competitive challenges
- **Fixed:** Positive retail service revenues, with line losses effect offset by higher ARPU
- **Business:** Strong growth supported by unparalleled channel and service
- **Consumer:** Premium and convergent approach supports stable performance
- **National Wholesale:** Continued positive performance
- **Sparkle:** down due to drag on IP contracts
- **Inwit:** up due to traffic and tenancy growth
- **Mobile:** Strong growth in postpaid (now 34% of total customer base) enables double-digit ARPU growth YoY
- **Fixed:** TIM Live connections grew > 420k. Arpu up 13%

Domestic UBB Networks



2Q'18 Update

- ~113 k cabinets passed
- ~325 k FTTH OTB installed
- ~19.4 mln HH passed FTTC in > 3,600 cities, speed up to 200 Mbit/s
- ~2.7 mln HH connected FTTH in 30 main cities, speed up to 1Gbit/s
- >19.7k LTE nodes
- 7,336 cities covered in 4G
- 1,474 cities 4Gplus, speed up to 300 Mbit/s
- 12 cities 4.5G, speed up to 700 Mbit/s

DigiTIM 2018-'20 Strategic Plan

Best in class customer engagement

Leadership positioning

Domestic

1 Consumer

- Sustain premium base through convergence (data and exclusive content)
- Extract more value from CB accelerating fiber migration and new avenues of growth
- Transform customer engagement through Digital journeys and new simplified portfolios

2 Business

- Sustain traditional revenue base through convergence, fiber and VOIP migration
- Accelerate evolution towards an "ICT Company" to capture new growth opportunities (e.g., cloud, ICT on SMEs)

3 Wholesale

- Sustain traditional revenues through fiber migration (e.g., NetCo)
- Step-change growth of non-regulated sales by radically improving customer engagement
- Optimize coverage to improve competitive positioning

4 TIM Brasil

- Win share on affluent segments (e.g., post-paid SMB) leveraging premium infrastructure and improving customer digital engagement
- Further deliver on fixed and mobile UBB by expanding coverage
- Accelerate cash generation through smart CAPEX and efficiency program

5 Inwit

- Strengthen leadership on Italian tower market leveraging on new mobile opportunities and leading network densification phase

6 Sparkle

- Sustain traditional business, expand commercial footprint on new geographies and accelerate data/VAS services

Cash-flow generation

7 OPEX efficiency

- Create a lean efficient and zero-based cost structure leveraging the digital transformation and data analytics

8 CAPEX effectiveness

- Maximize value driven CAPEX deployment leveraging current UBB infrastructure

Agile organization

9 Digital

- Enable superior customer engagement and omnichannel experience while unlocking efficiency

10 Advanced Analytics and AI

- Implement leading capabilities to capture value both on customer engagement (e.g., predictive CLM) and cash flow generation (e.g., predictive maintenance)

11 People, culture & organization

- Drive accountability, transparency and performance based culture via agile organization and high employee engagement

12 Execution

- Drive implementation pace and drastically streamline internal processes with end-to-end Transformation Office

TIM 2018-'20 Targets

GOALS

**Sustain
Top Line &
Profitability**

**Strong
Deleverage
and drop in
Capex
Intensity**

**Relevant
Step-up in
3-Years
Cumulated
FCF**

DRIVERS

- Focus on value maximization via accelerated convergence and new services
- Drive digital and analytics as core differentiators (both cost and revenues)
- Look for growth in and outside the core (eg. Cloud, IoT, Mobile Advertising, Data Monetization)
- In Italy, TIM Fixed UBB lines (Retail + WHS) to grow to ~9 million by 2020 (3x 2017 figure)

- Enhanced cash generation, supported by operational and financial discipline, will lower our Group Net Debt/Ebitda ratio by end 2018
- Domestic Capex / Sales moving back to normal intensity, having now completed catch-up phase

- Selective growth investments to maximize ROI
- Lower capital intensity following network rollout
- Reduce costs while improving customer satisfaction through agile customer journey redesign

TARGETS / KPIs

- Domestic Service Revenues :
Broadly Stable
 - Domestic EBITDA:
Low single digit 2017-'20 CAGR ⁽¹⁾
 - Brazil & Inwit:
Continued Growth in Revenues and Ebitda ⁽²⁾

- Group Adj. NFP/EBITDA
~2.7x in 2018, further reducing both in 2019 and 2020 ⁽³⁾
- Domestic Capex/Sales
<20% by YE2019

- 2018-'20 Group Cumulated Equity Free Cash Flow of ~**€4.5bn ⁽⁴⁾** excluding spectrum and pre-dividend

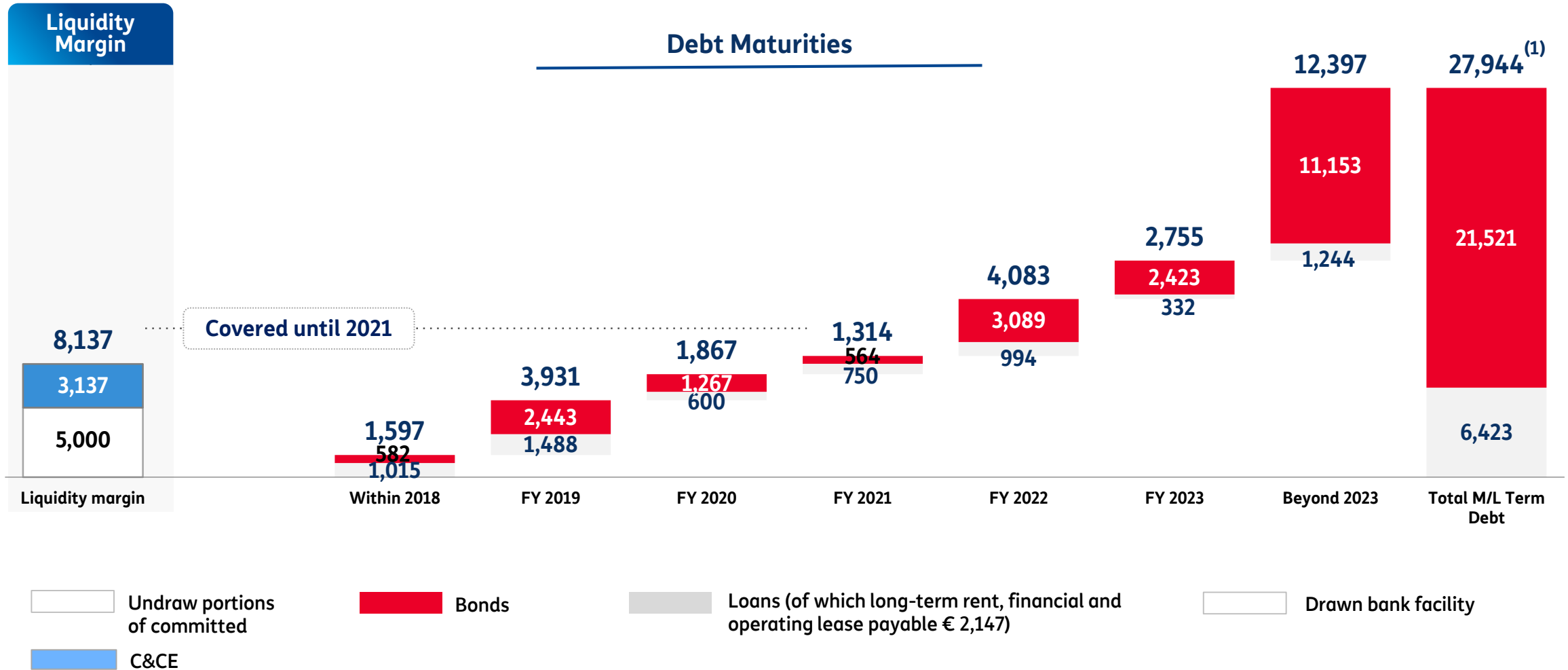
Over 2018-2020
Plan Period

2018 and 2019

2020

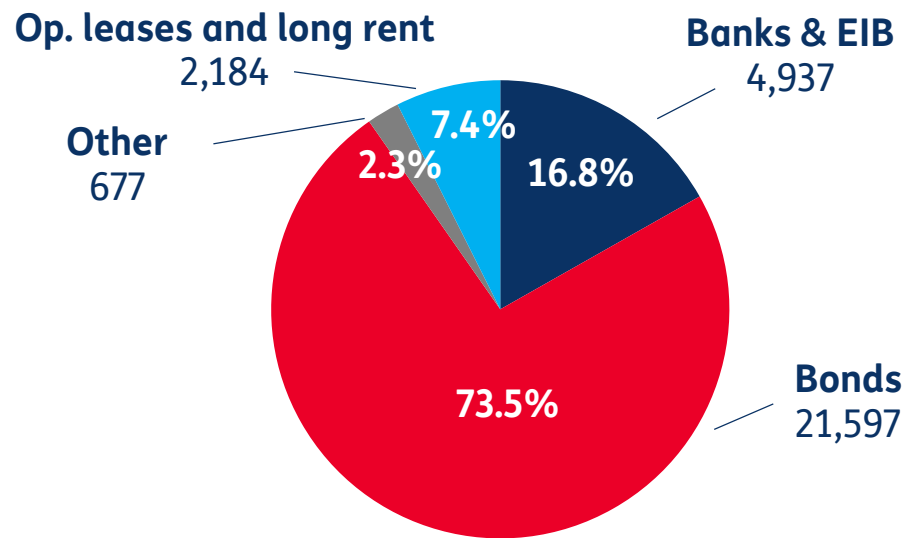
Maturities and Liquidity Margin

€mln



Well Diversified and Hedged Debt

€mln



Gross debt	€	29,395
Financial Assets	€	(4,254)
of which C&CE and marketable securities	€	(3,137)
- C & CE	€	(2,102)
- Marketable securities	€	(1,035)
- Government Securities	€	(456)
- Other	€	(579)

Net financial position € **25,141**

N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:

- the impact on Gross Financial Debt is equal to 1,578 €/mln (of which 204 €/mln on bonds)
- the impact on Financial Assets is equal to 678 €/mln

Therefore, the Net Financial Indebtedness is adjusted by 900 €/mln.



N.B. The difference between total financial assets (€ 4,254 mln) and C&CE and marketable securities (€ 3,137 mln) is equal to € 1,117 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 808 mln, financial receivables for lease for € 95 mln, deposits beyond 3 months for € 1 mln and other credits for € 213 mln.

Maturities and Risk Management

Average m/l term maturity:
7.87 years (bond only 8.02 years)

Fixed rate portion on gross debt approximately **71.1%**

Around **31% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and is **fully hedged**



Cost of debt: ~4.5 %

TIM Group 2Q'18 – IFRS 9-15 impacts

As from January 1, 2018, **IFRS 9 (Financial Instruments)** and **IFRS 15 (Revenues from Contracts with Customers)** have to be applied. In order to allow comparison of the results for 2Q'18 with those for the same period of the previous year, financial statements data are also prepared under previous accounting principles.

IFRS 9

Impacts the **determination of expected losses on trade receivables** and other financial assets (change from the *incurred loss* model provided by IAS 39 to the *expected credit loss* model).

IFRS 15

Impacts the **revenue recognition of fixed and mobile offerings as well as the recognition of relevant contractual costs**, without any impacts on cash flows.

Reported data, € mln, Rounded numbers	Revenues			Service Revenues			EBITDA		
	2Q'18 old IFRS	ΔIFRS 15	2Q'18 new IFRS	2Q'18 old IFRS	ΔIFRS 15	2Q'18 new IFRS	2Q'18 old IFRS	ΔIFRS 9 - 15	2Q'18 new IFRS
TIM Group	4,770	-38	4,732	4,392	-39	4,353	2,025	-79	1,946
Domestic	3,809	-36	3,773	3,480	-39	3,440	1,667	-69	1,598
Brazil	970	-2	968	921	0	922	362	-11	351