



TIM Group

# FY'17 and 2018-'20 Plan

Milan, March 7 2018



# 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 results of the TIM Group are prepared in accordance with the International Financial Reporting Standards** issued by IASB and endorsed by the EU (IFRS). **The accounting policies and consolidation principles** adopted in the preparation of the financial results for the FY17 and the 18-20 Industrial Plan **have been applied on a basis consistent** with those adopted in the 2016 Consolidated Financial Statements.

As a result of this, **the Industrial Plan doesn't take into account the following IFRS:** IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

The financial results for the FY17 have not yet been verified by the independent auditors. Segment information is consistent with the prior periods under comparison.

- 1** 4Q'17 and FY Main Results
- 2** 2018-'20 Plan: Key Drivers and KPI Evolution
- 3** Targets and Take-Aways
- 4** Appendix



# A Record Year for The Group

Organic data<sup>(1)</sup>, figures in €mln, % YoY



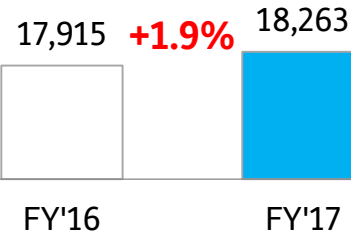
## Full Year 2017



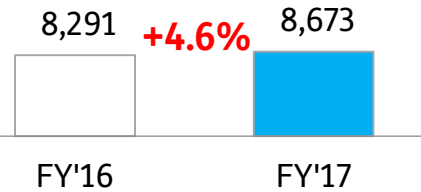
## Fourth Quarter 2017

Group

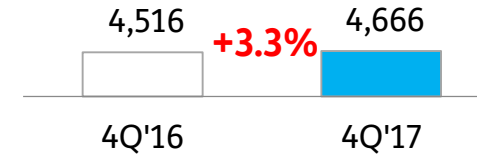
### Service Revenues



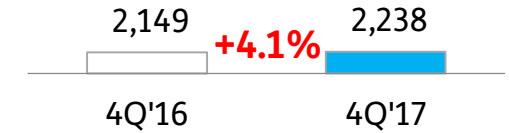
### EBITDA



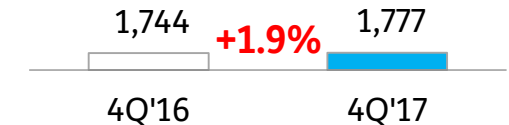
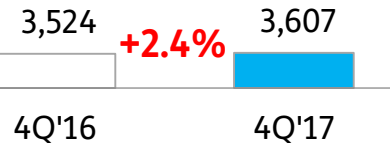
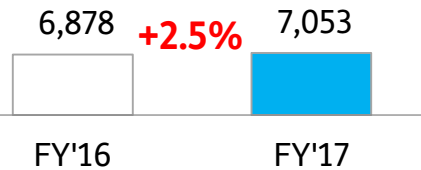
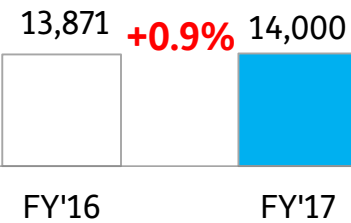
### Service Revenues



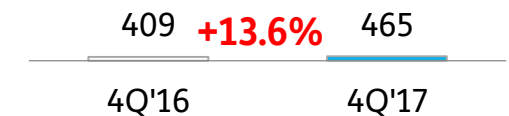
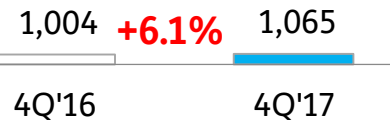
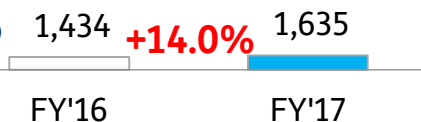
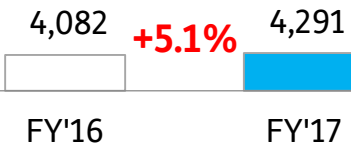
### EBITDA



Domestic



Brazil



### Net Debt

€ 25.3 bln <sup>(4)</sup> Down by €920mln QoQ

€679mln 4Q'17 Provision includes 4,000 personnel exits



# FY'17 and 4Q'17 TIM Group Total Revenues Breakdown

€mln, %YoY, Organic Performance<sup>(1)</sup>

## TIM Group

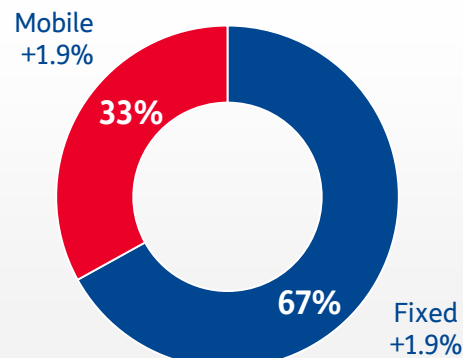
## Domestic

## Brazil

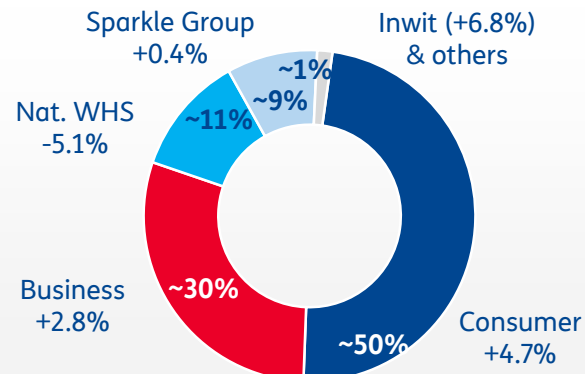
FY'17

Total Revs.<sup>(2)</sup>  
**19,828** +2.7%  
 o/w Domestic  
**15,354** +2.4%  
 o/w Brasil  
**4,502** +4.0%

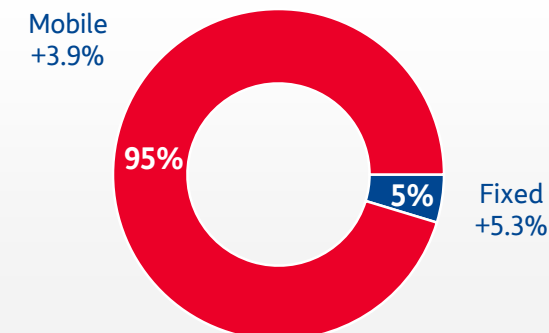
### By Technology



### By Business Segment

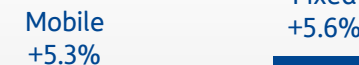
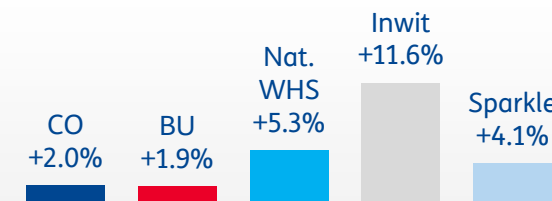
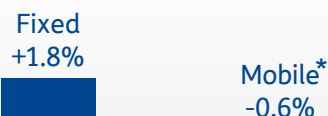


### By Technology



4Q'17

Total Revs.<sup>(2)</sup>  
**5,149** +2.8%  
 o/w Domestic  
**4,042** +2.0%  
 o/w Brasil  
**1,113** +5.3%



## Highlights

**FY'17 Retail Top Line** both Fixed and Mobile shows **low-single digit growth YoY**

**\*4Q'17 Domestic Mobile Total Revenues** slightly down due to **product re-phasing**, **Service Revenues positive YoY**

**National Wholesale FY'17 YoY underperformance** is driven by **comparison effect with 3Q16 long-term fixed infrastructure leases**

**Positive performance for all segments in 4Q'17**

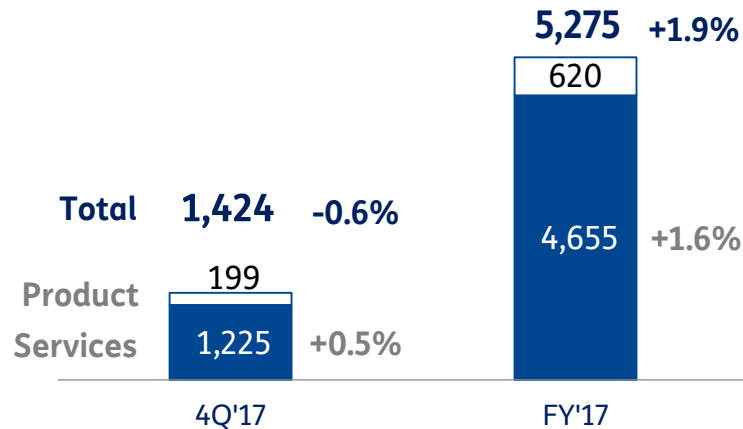
**Mobile Revenues supported by continued increase in postpaid customer base**

**Consistent evolution of Fixed customer base** due to the **growth of TIM Live**

# Domestic Mobile: Leading in Quality and Results

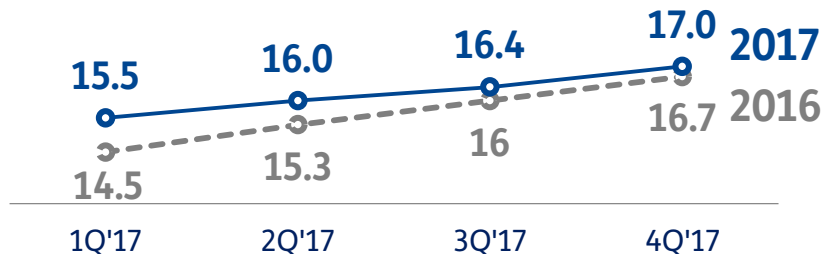
## Revenues & ARPU

Organic data, €mln, % YoY, ARPU €/month



Continued YoY Service Revenues growth sustained by robust increase in data usage and innovative services

### ARPU Human<sup>(1)</sup>



## Customer Base

K, Rounded numbers, % YoY, 4Q'17 %QoQ

TOT. CB	29,617	+3.8%	30,755	+470, +1.6%
TOT. ACTIVE	25,651	+5.2%	26,992	+405, +1.5%
NOT HUMAN <sup>(2)</sup>	6,089	+21.9%	7,424	+517, +7.5%
HUMAN	19,561	flat	19,569	-112, -0.6%
o/w Voice & Mess. Only	7,757	-1,084	6,674	
o/w BB Users	11,804	+1,091	12,895	
4G Users	7,613	+2,132	9,745	

76% of MB CB  
+348 QoQ

Total CB growth (+1,137k YoY) driven by M2M, Large Screen and reduction of inactive customers

BroadBand CB reaches 12,895k users (+1,091k YoY)

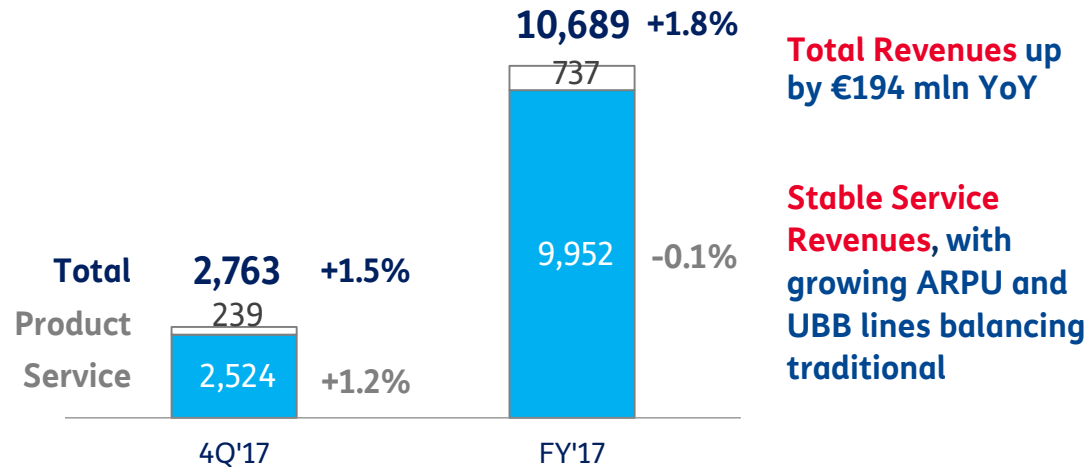
Active customer penetration increase: 1,342 k more calling lines,

LTE users scaling up sharply

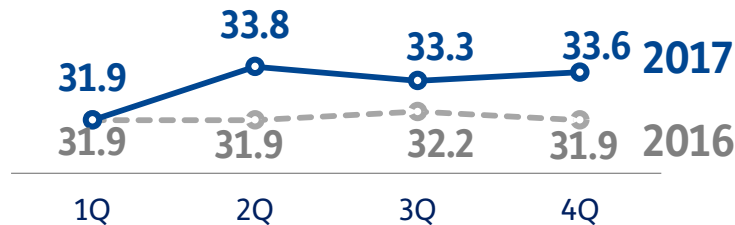
# Domestic Fixed: UBB Setting the Pace, TIM Vision growing fast

## Revenues & ARPU

Organic data, €mln, % YoY, ARPU €/month

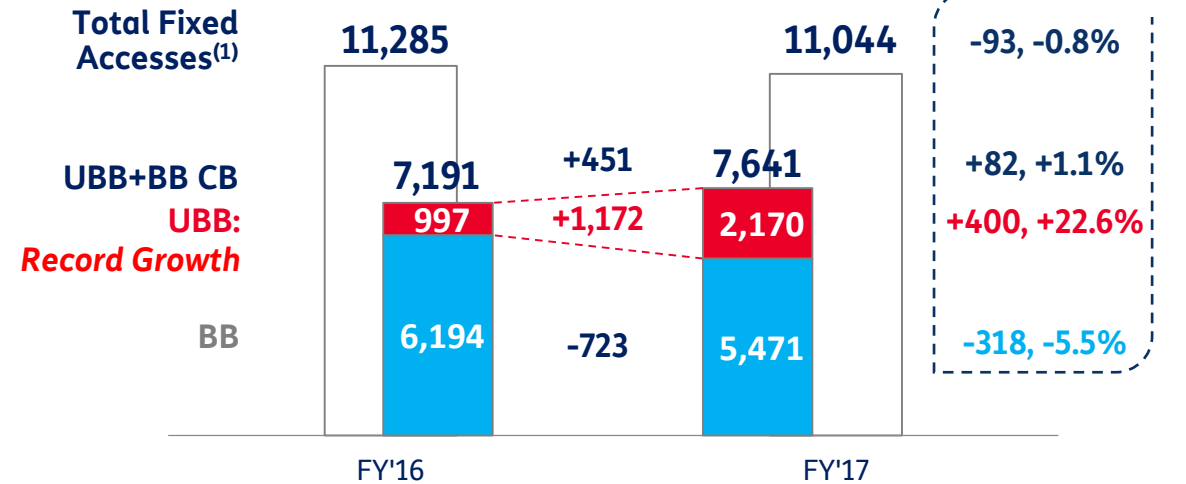


### Fixed ARPU Consumer

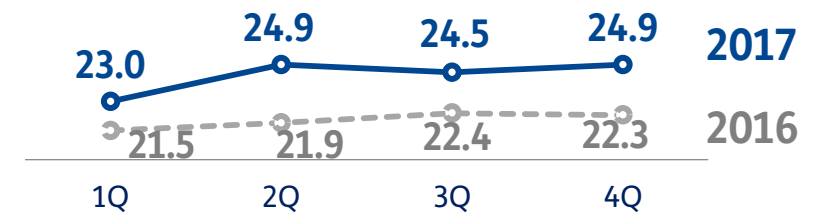


## Fixed Accesses & Customer Base

k, % YoY, 4Q'17 %QoQ



### BroadBand ARPU<sup>(2)</sup>

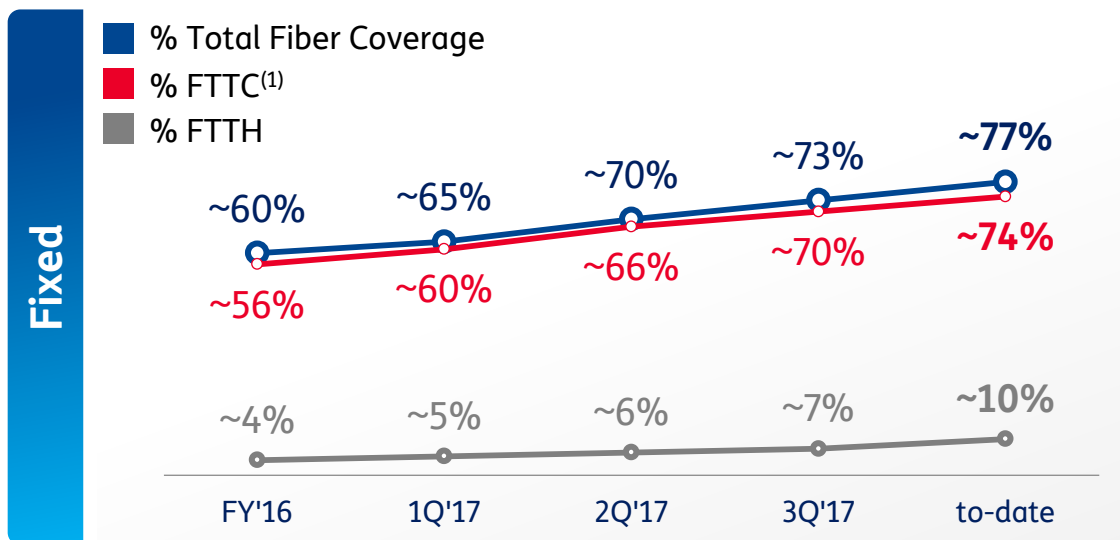


**1.3m TIM Vision customers<sup>(3)</sup>, +63%**  
**22% of Consumer BB CB, +7p.p.**



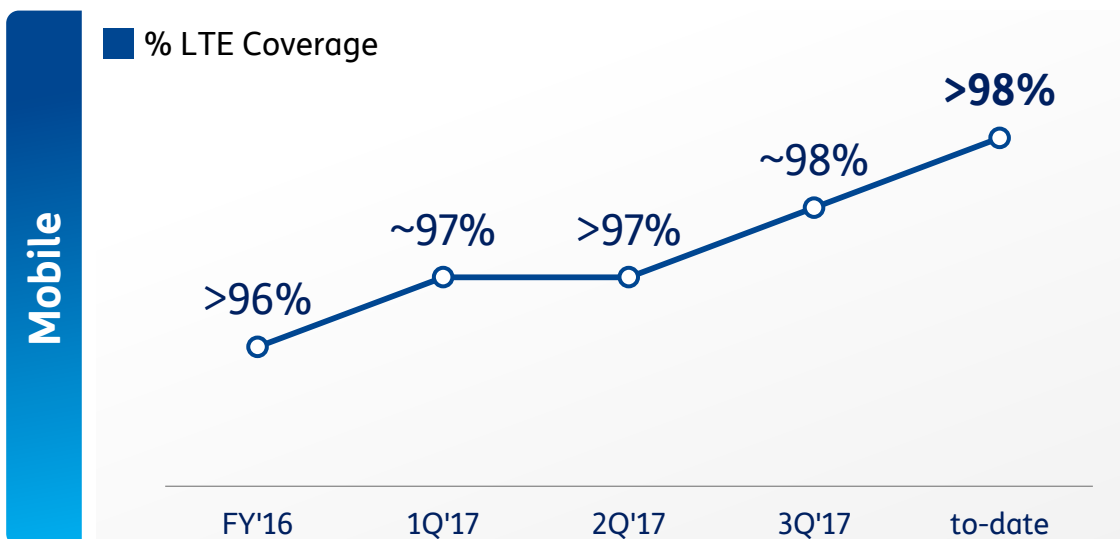
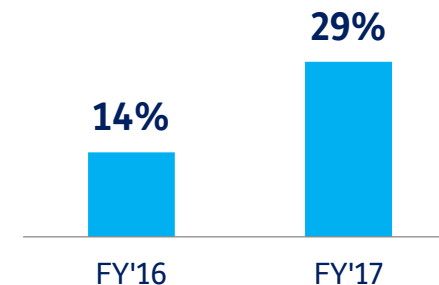
**~20% of Consumer BB CB is single-bill F/M Convergent, another ~28% has also a TIM Mobile Line while paying 2 bills**

# Domestic UBB Networks: Coverage Strongly Increased, Capex Peak Reached as Planned



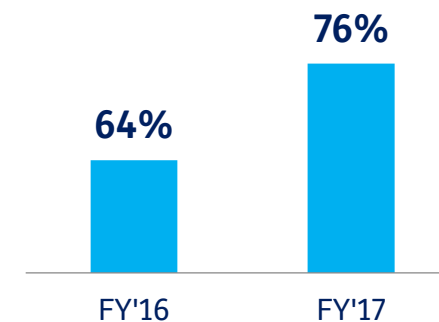
- **111 k** cabinets passed
- **281 k** FTTH OTB installed
- **18.7 mln** HH passed FTTC in ~ **3,600** cities  
speed up to 200 Mbit/s
- **2.3 mln** HH connected FTTH in **30** main cities  
speed up to 1Gbit/s

## FTTx Penetration<sup>(2)</sup>



- **18.6k** LTE nodes
- **~7,300** cities covered in 4G  
speed up to 300 Mbit/s
- **~1,400** cities 4Gplus  
speed up to 700 Mbit/s
- **12** cities 4.5G  
speed up to 700 Mbit/s

## 4G Penetration<sup>(3)</sup>





# TIM Brasil: Turnaround marked by Strong Results

R\$mIn, Organic Performance, ARPU in R\$, Rounded numbers

## Delivering Growth

### Service Revenues

4,075 +6.1%

4Q'17

15,474 +5.1%

FY'17

## Record Ebitda Margin

Full year EBITDA Margin at 36.3%

### EBITDA

1,758 +13.5%

4Q'17

5,894 +14.0%

FY'17

ROBUST  
IMPROVEMENT  
IN REVENUE  
QUALITY

### Mobile ARPU

19.0

19.4

20.5

21.9

+14.0%  
YoY

1Q17

2Q17

3Q17

4Q17

FY17 ARPU +12.2% YoY

### Fixed BB ARPU

61.4

61.8

68.2

69.9

+18.8%  
YoY

1Q17

2Q17

3Q17

4Q17

FY17 BB ARPU +14.9% YoY

### Mobile postpaid Net Adds (k lines)

445

509

935

1,028

1Q'17

2Q'17

3Q'17

4Q'17

Seventh consecutive quarterly growth

### Fixed UBB Net Adds (k lines)

7

+140%

16

4Q16

4Q17

FY17 Ultra BB Net Adds 86k lines

# Domestic Opex Efficiencies

## 2017 Domestic OPEX

Organic data, €mln

<b>Total OPEX</b>	<b>8,121</b>	<b>+2.2% YoY</b>	<b>8,301</b>	
Volume Driven (COGs)	3,356	+12.6% YoY	3,779	<div>4Q'17 Volume Driven 1,128 +9.7%</div>
<b>OPEX Net of Volume Driven</b>	<b>4,765</b>	<b>-5.1% YoY</b>	<b>4,522</b>	
Market Driven	1,018	+11.3% YoY	1,132	<b>EFFICIENCY AREA</b>
Process Driven & Other	1,133	-27.5% YoY	821	
Labour Costs	2,615	-1.8% YoY	2,569	
	FY'16		FY'17	

### Volume Driven

- *Interconnection* (40%)
- *Devices & Other COGs* (55%)
- *Content e VAS* (5%)

### Market Driven

- *Acquisition* (22%)
- *Advertising* (14%)
- *Customer Management* (37%)
- *Commercial Net Expenses* (27%)

### Process Driven

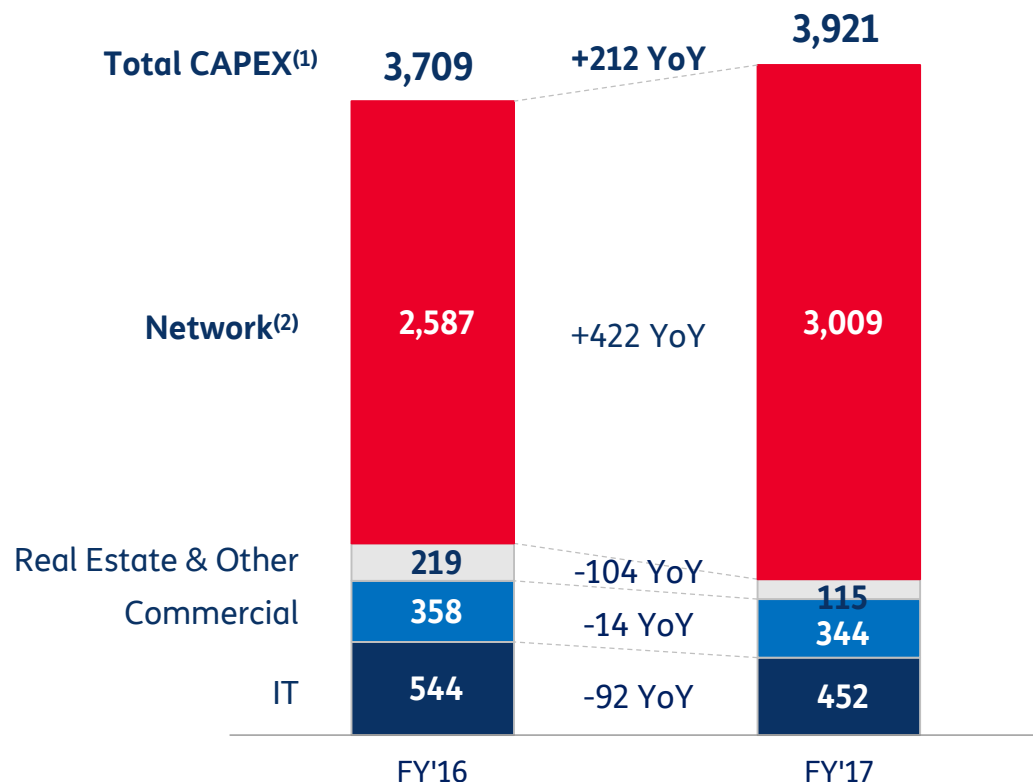
- *Rental & Power* (43%)
- *G&A incl. IT* (34%)
- *Network Operations* (23%)

- **Remixing cost allocation:** Net of Volume Driven, OPEX down €243mln. Volume Driven up €423mln YoY, driven by relevant 2017 Product Increase (including Smart TVs, Connected HH Appliances and Modems)
- **Market Driven YoY growth** to support commercial performance and quality
- **Reduction in Process Driven Costs** due to efficiencies in IT, Energy and G&A
- **Labour Costs reduction** due to FTE downsizing (-1.5k YoY)

# Domestic Capex Evolution

## 2017 Domestic CAPEX

Organic data, €mln

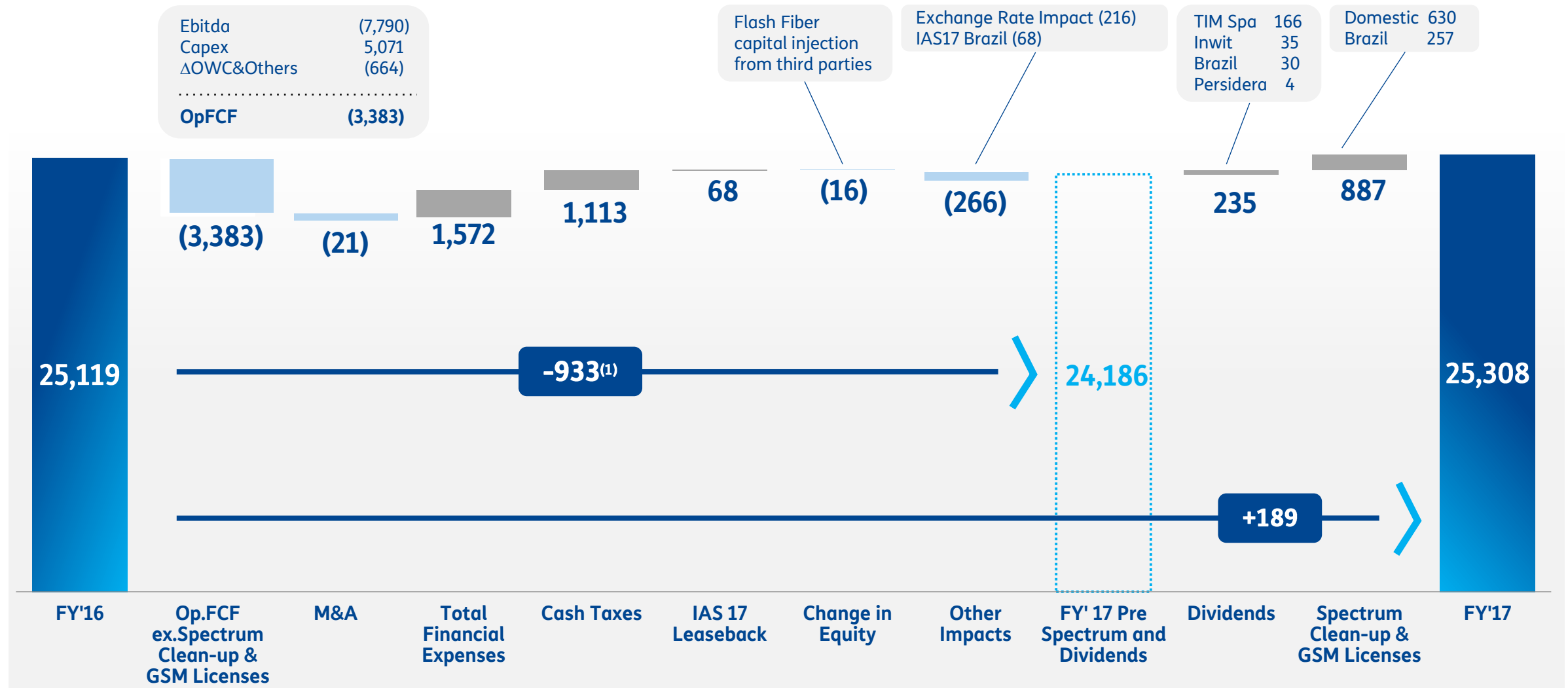


### Domestic Capex evolution composed by:

- **UBB network** roll-out costs, driving the 212 Mln€ total Domestic Capex increase for the Year
- Lower **Procurement** costs & **Transformational** projects
- Steady approach in **Commercial**, supporting growth on UBB CB and ICT for Businesses
- **IT** Efficiencies and ROI-driven reallocation of resources

# TIM Group YE17 NFP: CF Broadly Compensates for Higher Taxes and Spectrum

€mln



# Free Cash Flow Generation

€mln

	FY17	FY16	YoY
Adjusted EBITDA <sup>(1)</sup>	8,673	8,199	474
CAPEX (ex-Spectrum)	-5,071	-4,876	-195
Adjusted ΔWC <sup>(2)</sup>	-219	-467	248
OpFCF (ex-Spectrum)	3,383	2,856	527
Total Financial Expenses <sup>(4)</sup>	-1,572	-1,659	87
Cash taxes	-1,113	-218	-895 <sup>(5)</sup>
Other impacts <sup>(6)</sup>	266	-371	636
<b>EFCF <sup>(7)</sup></b>	<b>964</b>	<b>608</b>	<b>356</b>
Dividends	-235	-227	-8
Change in Equity	16	1,304 <sup>(8)</sup>	-1,288
Net Cash Flow before M&A, Spectrum & IAS 17	744	1,685	-940
M&A	21	692 <sup>(3)</sup>	-671
Spectrum <sup>(9)</sup>	-887	0	-887
IAS 17 <sup>(10)</sup>	-68	-218	150
Net Cash Flow	-189	2,159	-2,348
Opening Net Debt	25,119	27,278	
Closing net Debt	25,308	25,119	

	4Q 2017	4Q 2016	YoY
Adjusted EBITDA	2,460	2,168	292
CAPEX	-1,820	-1,769	-51
Adjusted ΔWC	858	549	309
OpFCF	1,498	948	550
Total Financial Expenses	-413	-386	-27
Cash taxes	-309	-101	-208
Other impacts	186	-107	293
<b>EFCF</b>	<b>963</b>	<b>354</b>	<b>609</b>
Dividends	-17	0	-17
Change in Equity	0	1,304 <sup>(8)</sup>	-1,304
Net Cash Flow before M&A, Spectrum & IAS 17	946	1,658	-712
M&A	-4	4	-8
Spectrum	0	0	0
IAS 17	-22	-47	24
Net Cash Flow	920	1,615	-696
Opening Net Debt	26,228	26,735	
Closing net Debt	25,308	25,119	

(1) Reported EBITDA excluding Provisions for €883mln in 2017 and €197mln in 2016

(2) Reported ΔWC excluding Provisions for €883mln in 2017, Spectrum Clean-Up (Brazil) for €257mln in 2017 and provisions for €197mln in 2016

(3) o/w disp. Argentina (€665mln)

(4) Financial expenses correlated to debt.

(5) In 2017 higher taxes related to 2016 final payment (€556mln) and 2017 advanced payment (€339mln)

(6) Delta FY17 vs FY16 = €636mln, o/w Exchange Rate Impact (€516mln), IAS17 Brazil (€68mln)

(7) NCF before dividends, IAS17 & ex-spectrum

(8) TIM Mandatory Convertible Bond maturity covered via ord. Shares issuance for €1.3bln value

(9) Spectrum Clean-Up Brazil (€257mln), GSM Licence Italy (€630mln)

(10) Financial Leases



# Take-aways from 2017



**A record year, driven by ultra broadband growing penetration**



**Strong performance from main subsidiaries**



**Networks in Italy and Brazil faster and wider than ever**



**TIM recognized as most successful Italian brand among the top 500 in the world<sup>(1)</sup>**

# FY'17 and 2018-'20 Plan

- 1** 4Q'17 and FY Main Results
- 2** 2018-'20 Plan: Key Drivers and KPI Evolution
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## DigiTIM pillars

**Best in class customer engagement** through **digital** and **agile** customer journey redesign

**Leadership positioning** by sustaining premium customer base and capturing new growth opportunities in and **outside the core**

Acceleration of **cash-flow generation** to strengthen balance sheet and increase total shareholder return

**Agile organization**, performance based and data driven culture

# DigiTIM is a portfolio value driven strategy with solid execution enablers

## 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

# Consumer: Pursue Premium and Value, transforming Customer Experience

1

## Strategic actions

## Impact by 2020

Best in class customer engagement



- **Simplified, flexible fixed and mobile portfolios**
- **Digitally enabled**, intuitive customer journeys
- **Network leadership**: Fiber, 4.5G, VoLTE, 5G early adoption in 2020

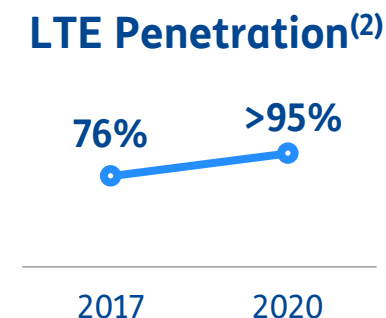
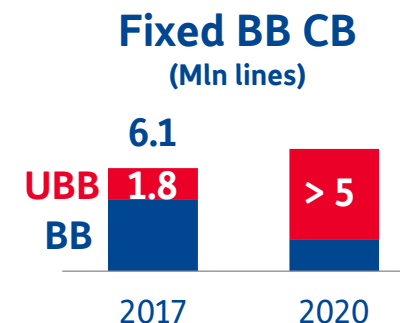
Maintain #1 position for Best quality Network in Italy <sup>(1)</sup>

Consolidate and extend to Fixed #1 position in CSI by 2019

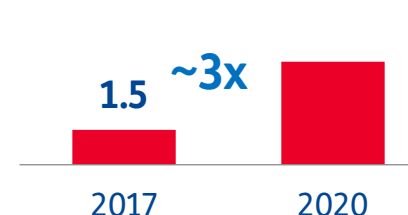
Leadership positioning



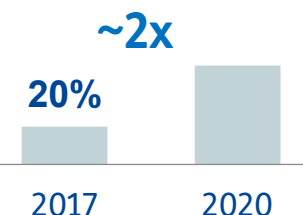
- **Increased FMC convergence** through additional content and mobile data benefits
- **Accelerated fiber migration** to improve customer engagement and reduce churn
- **2nd brand Kena** to address non-premium segments and sustain TIM value
- **TIM acquisition** focused on segmented approach
- **Enhanced customer base value management** through Digital and Advanced Analytics
- **New avenues of growth**: Mobile-adv, SmartHome, TIM Personal



**TIMVISION**  
(Mln customers)



**Convergent CB<sup>(3)</sup>**



Cash-flow generation



- **Channel mix optimization towards digital and direct**
- **Digital customer management**: self and AI-enabled caring
- **Lean digital and automated operations**

**3x Digital Sales**  
**-30% Human-operated interactions**



# Business: Accelerate Evolution, Sustain Traditional

2

## Strategic actions

## Impact by 2020

Best in class  
customer  
engagement



- **Large:** **automatization** to reduce order-to-delivery time
- **SME's:** new **digital commercial** and **caring engagement** to improve service level

-15% Order-to-delivery time

+5p.p. CSI for Medium & Large in 2020

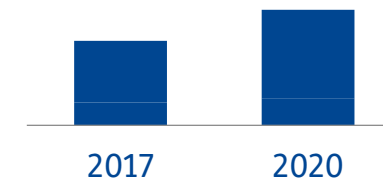
Leadership  
positioning



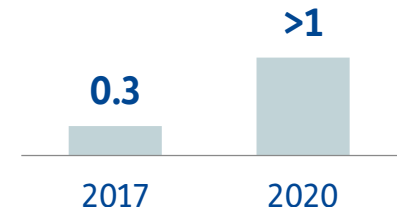
- Evolution towards “**ICT company**”
  - **Public cloud** and **managed services expansion** to further grow Large clients base
  - Tapping of **basic IT opportunity** to improve **SME's revenues mix**
- Step up on **convergence**, fiber and VOIP migration to protect SME's ARPU level

**IT & Cloud Revenues**  
(Mln €)

~1.5x



**Fiber CB**  
(Mln lines)



**Grow ICT & Cloud to become 25% of total revenues**

Cash-flow  
generation



- Adoption of **lean digital business model**
- **Contract management, ordering** and **provisioning digitalization**
- **Optimization of service delivery** and **caring costs**

-10% **Customer care call volumes**

# Wholesale: Back to Growth

3

## Strategic actions

## Impact by 2020

Best in class  
customer  
engagement

- Improved, faster delivery process of **core** services through new **digital** and **automation** tools
- Upgraded and **modernized assurance** process, with improved **self-solution** options and **site information quality**
- Fixed Access Network Legal Separation Plan: A Step-Change Evolution of TIM Full Equivalence Functional Separation into a **one-stop shop**, for maximum quality in regulated and unregulated services

60% faster E2E FTTC delivery time  
-32p.p. claim rate

Strengthening of Equality of  
Access for all operators

Leadership  
positioning

- Value and demand driven deployment of fiber with **smart mix** of **FFTH** and **FTTC**
- Additional incentives to fiber migration through flexible pricing and innovative turn-key offerings
- Greater share of **non-regulated services** with **streamlined process** to improve delivery speed

### UltraBroadBand

(Mln lines)

~1

>3

2017

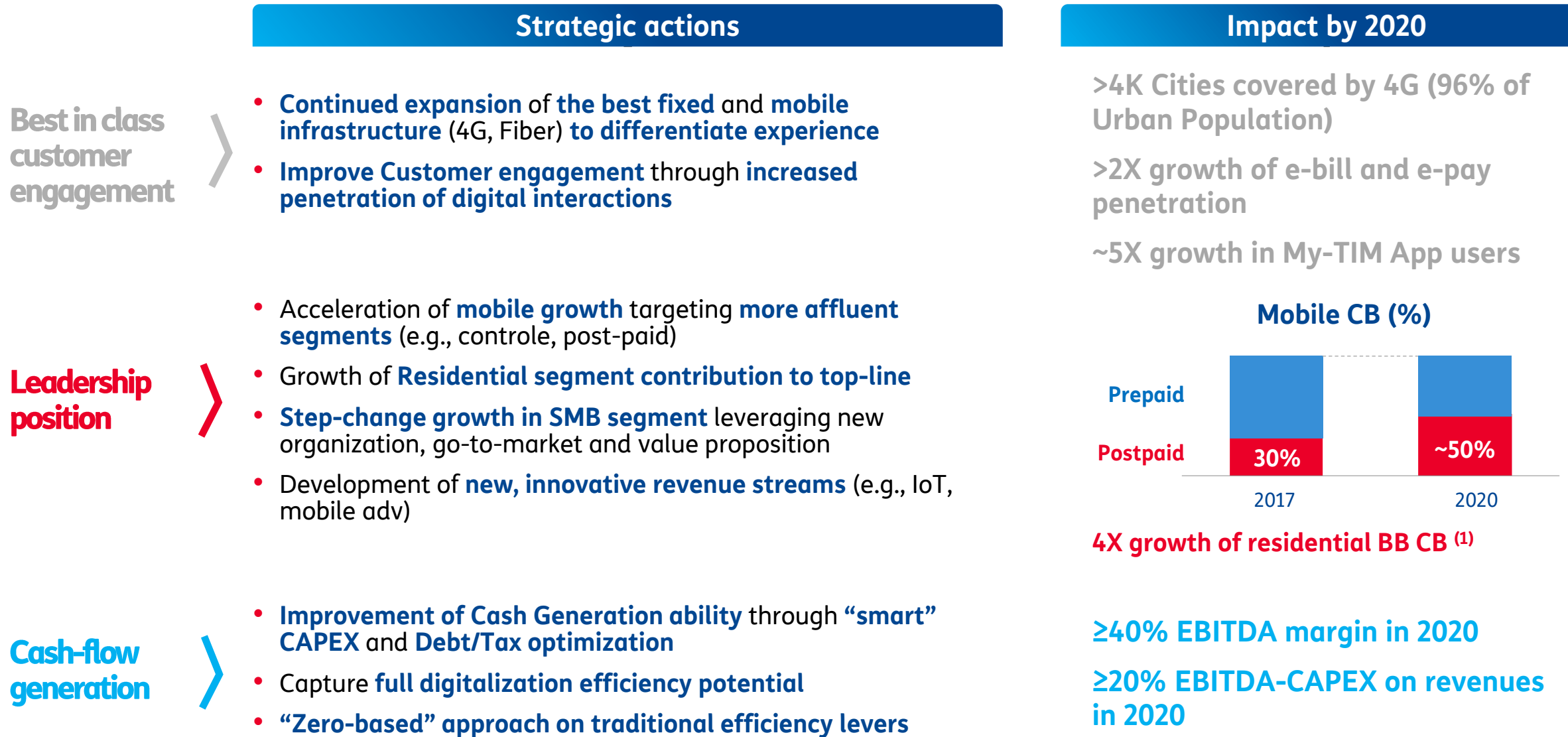
2020

Cash-flow  
generation

- “Smarter” Service Creation Process through increased automation
- Superior **Field Force productivity** through **automation** and **reward system** optimization

+20% Field force productivity

# TIM Brasil: More Postpaid and Broadband for continued positive Results



# Inwit: Strengthen Tower Leadership

## Sparkle: Pursue International Expansion and Data Opportunities

5

6

5

INWIT

### Strategic actions

#### Leadership positioning



- Focus on winning **new stakes of MNO's tower demand**, leveraging on high quality portfolio
- **Extend leadership to next generation infrastructures** (e.g., 5G, small cells)

#### Cash-flow generation



- Enhance cost base through **revised lease/purchase strategy**

### Impact by 2020

**~400 New sites**  
**~1k Fiber Links**  
**~10k Small cells**

**2.1x Tenancy ratio**  
**-4% Lease costs/site**  
**~1.5k Lands owned**

6

SPARKLE

#### Leadership positioning



- **Focus on data services** to monetize consumption growth **and to improve market reach**
- **Enhancement of service portfolio**, focus on VAS (e.g., data center, security as a service)
- **Retention of core voice business**

#### Cash-flow generation



- **Delaying and decommissioning** of obsolete technologies, **virtualization** to improve network
- Review of **pricing paradigm** toward a scalable “pay-as-you-grow” model (vs. fixed capacity)
- **Organization streamlining**

**+25 IP POP**  
**30% Capex focused on transformation**

**100% Infrastructure at 100Gb**  
**100% Voice traffic processed by virtual nodes**

TIM

# Digitalization enlarges Opex Efficiency area

€mln

7

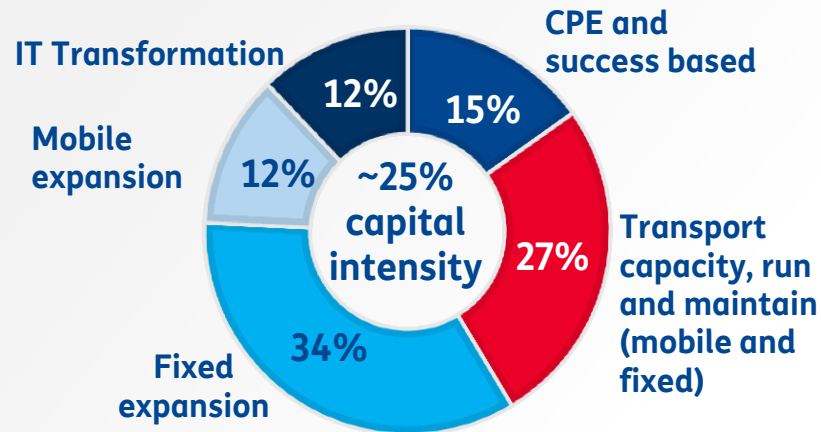
Cost area	Addressable Domestic baseline 2017		Strategic actions	Impact by 2020
Commercial	Devices & other COGS	2,030	<ul style="list-style-type: none"><li>Optimize specifications &amp; vendor portfolio, apply procurement excellence practices</li><li>Shift to digital channels (acquisition &amp; top-up); lower overall volumes (lower churn)</li><li>Migration toward digital self-caring (App, IVR, chat bots)</li><li>Analytics driven media mix modeling</li></ul>	<b>20% Online fixed acquisitions<sup>(1)</sup></b>  <b>-18% Customer care calls</b>
	Content & VAS	170		
	Acquisition	360		
	Customer management	400		
	Advertising	160		
Industrial	Network operations	360	<ul style="list-style-type: none"><li>Transition towards Network-as-a-Service: Decommissioning/delaying Virtualization and automation</li><li>Field force productivity and data driven dispatching</li></ul>	<b>Central Offices decommissioning begins</b>  <b>-35% Energy and rental costs</b>
	Rent & Power	660		
Industrial	G&A incl. IT	530	<ul style="list-style-type: none"><li>Real estate streamlining and consolidation</li><li>Contracts re-negotiation</li><li>Digitalization of work processes and automation of recurring tasks</li><li>Organization simplification and de-layering</li><li>Use of early retirements and other instruments to right size the organization</li></ul>	<b>-25% Organizational units</b>  <b>20% Digital-enabled productivity improvement</b>
	Labour cost	2,570		
Addressable Baseline 2017		7,240	~80% of total OPEX <sup>(2)</sup>	



# DigiTIM optimized Domestic CAPEX mix

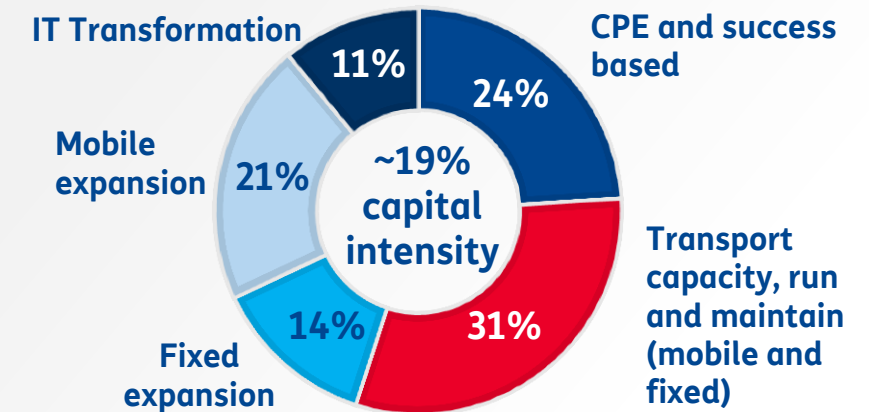
## Domestic CAPEX breakdown <sup>(1)</sup>

2017



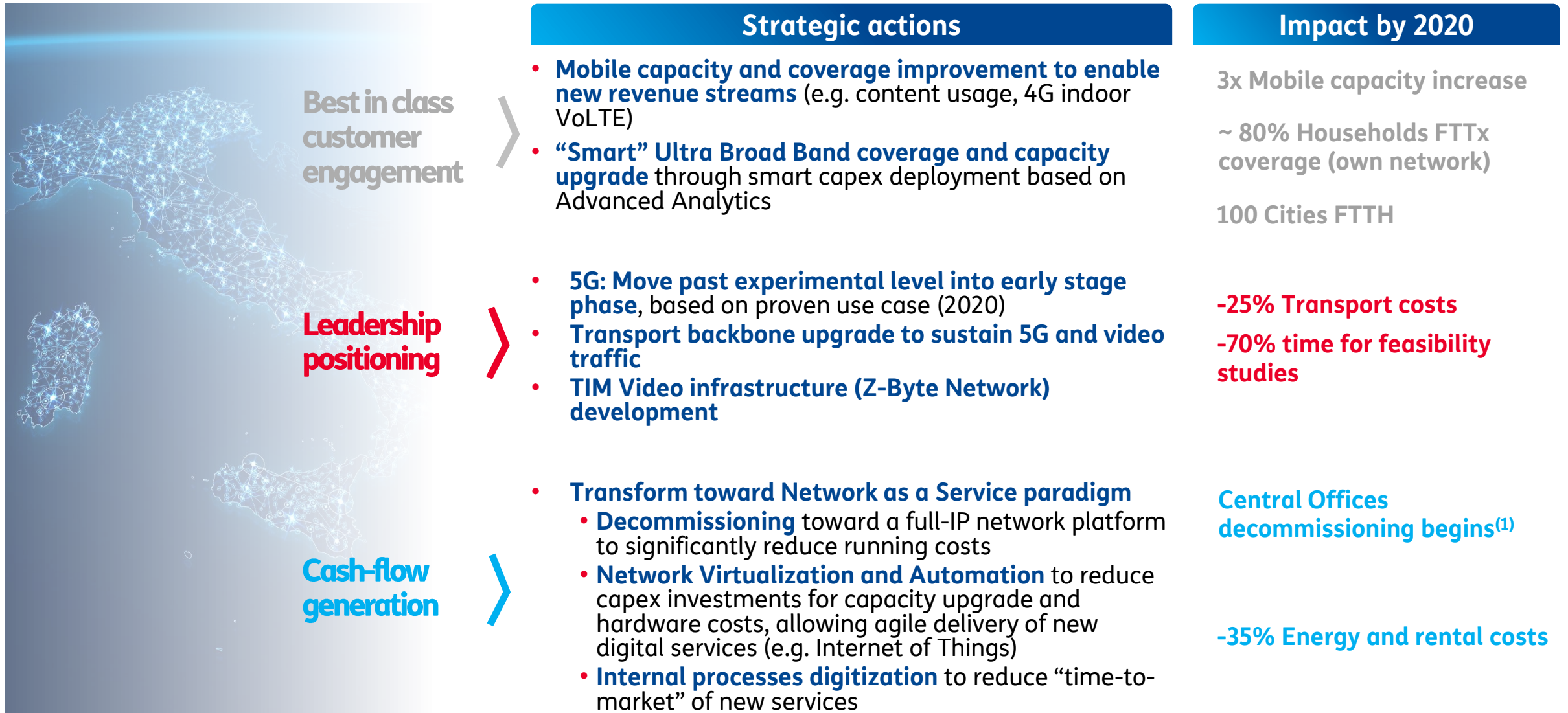
2018-2020 €9bn  
Cumulated Domestic Capex

2020 <sup>(2)</sup>



Area	Mix vs. 2017	Key initiatives by 2020
CPE and success based	+9 p.p.	<ul style="list-style-type: none"> <li>Strong growth on Fiber migration on Consumer and ICT offer on Business</li> </ul>
Mobile expansion	+9 p.p.	<ul style="list-style-type: none"> <li>Capacity upgrade on 4G</li> <li>4.5G/5G deployment leveraging value driven analytics</li> </ul>
Transport capacity, run and maintain	+4 p.p.	<ul style="list-style-type: none"> <li>3x mobile and 7x fixed network capacity increase</li> <li>Network-as-a-Service transformation as enabler for OPEX reduction</li> </ul>
IT Transformation	-1 p.p.	<ul style="list-style-type: none"> <li>New CRM and billing systems completed and released in 2017</li> <li>Aggressive application decommissioning</li> </ul>
Fixed access	-20 p.p.	<ul style="list-style-type: none"> <li>Selected improvements leveraging existing coverage (77% FTTx YE2017) to achieve 100 cities with FTTH and increasing our ~80% FTTx coverage on a demand-driven basis</li> </ul>

# Deploying and Evolving a State-of-the-Art Multi-Technology Access Network



## Strategic actions

Best in class  
customer  
engagement

- **End-to-end digital** customer lifecycle management
- **Personalized experience with smart targeting**

Leadership  
positioning

- New **omni-channel CRM** (BSS) and **billing systems**, based on an open service architecture
- Deployment of **Advanced Analytics capabilities** at scale in all LoB

Cash-flow  
generation

- **Radical middle- and back-office automation** and **simplification**
- **Digital-first self-caring capabilities**, focus on App and IVR
- **Aggressive IT decommissioning** and simplification plans

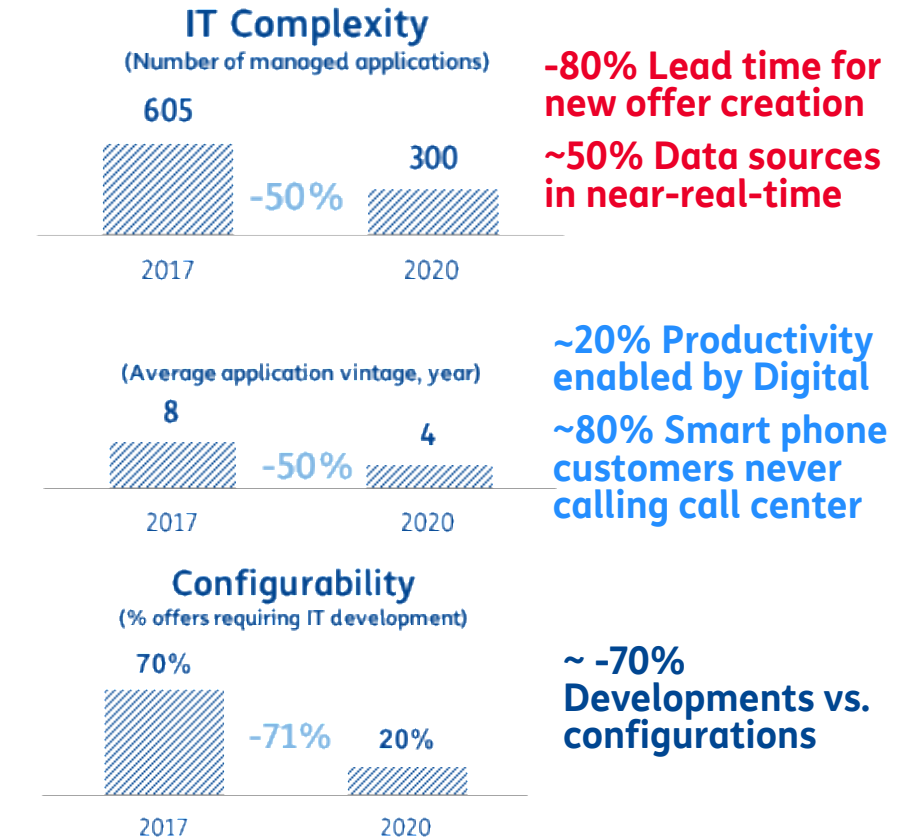
Agile  
organization

- Deployment of **Agile operating model at scale**
- Setup of **dedicated Digital and AA Centers of Excellence** (CoE)

## Impact by 2020

**From website to eCommerce catalogue**

Single Convergent App for fixed and mobile



# People, Culture & Organization

## Strategic actions

## Impact by 2020

### Agile and performance-based organization



- New organization structure **simplified** and **delayed**
- From silos to **agile organization** to enable fast decision making autonomy & accountably
- **Introduction of new digital competences** (e.g., big data, network virtualization)
- Dedicated **retention & development program for Top Talents**: digital learning, welfare scheme & top talent career path
- Introduction of **continuous rewarding plan** based on **larger set of KPIs** (e.g., productivity) and targeting **sub-managerial resources**

-20% Organizational units  
 ~500 new “digital” talents to hire  
 ~100% Share of resources involved in digital learning and/or re-skilling  
 ~20% Wholesale on-field productivity increase

### Cash-flow generation



- **Reduction of labor costs** leveraging early retirements and other instruments

~4,000 exits

### New LTI



- Implementation of a **new LTI for key people** at the organization. TIM LTI is designed as a **share incentive plan**, with KPIs aligned to **share performance** and to cumulated **Equity FCF generation** for 2018-'20.
- **Plan to be approved at next AGM**

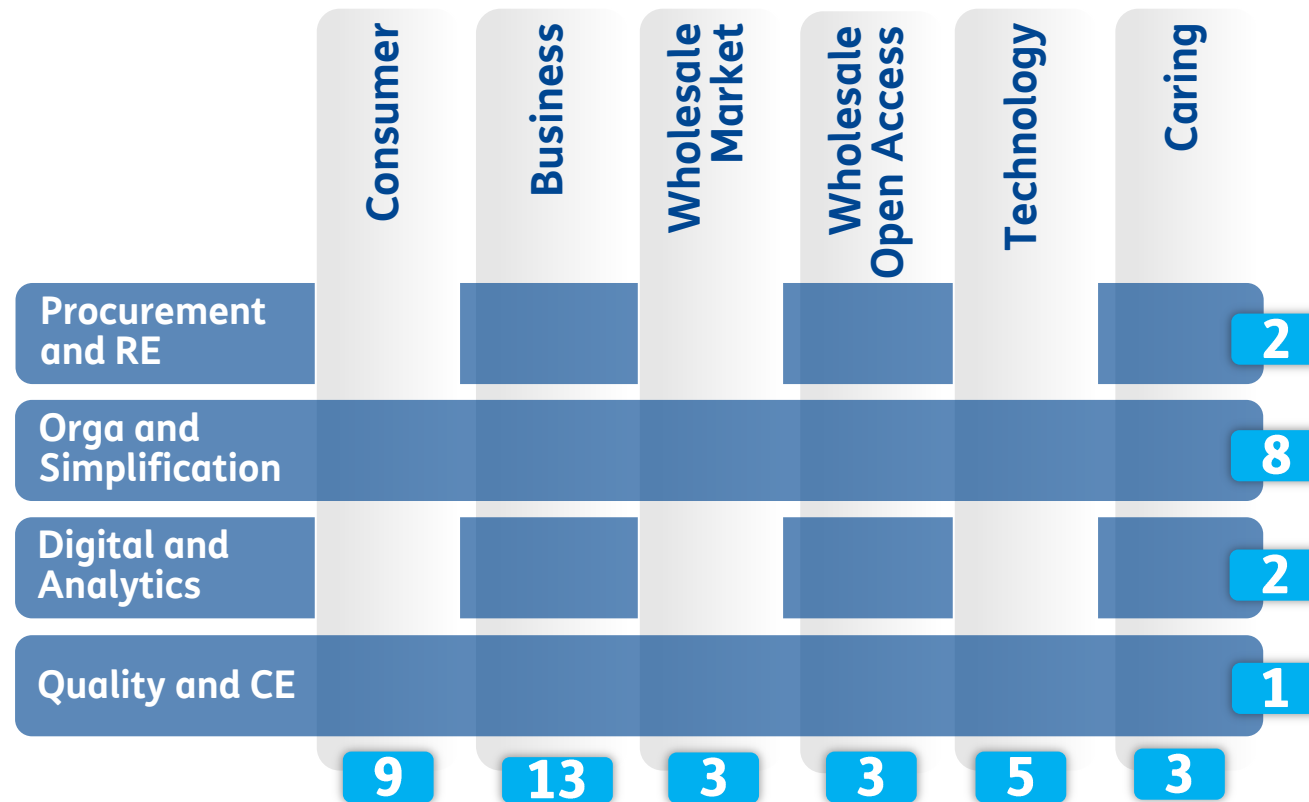
**Strong Management engagement**

# End-to-end Transformation across all BUs and X-functional enabler

A grid of 10 Workstreams, 40+ Themes<sup>(1)</sup>, 250+ Initiatives running across the Company

**X** Number of themes

## Transformation Office



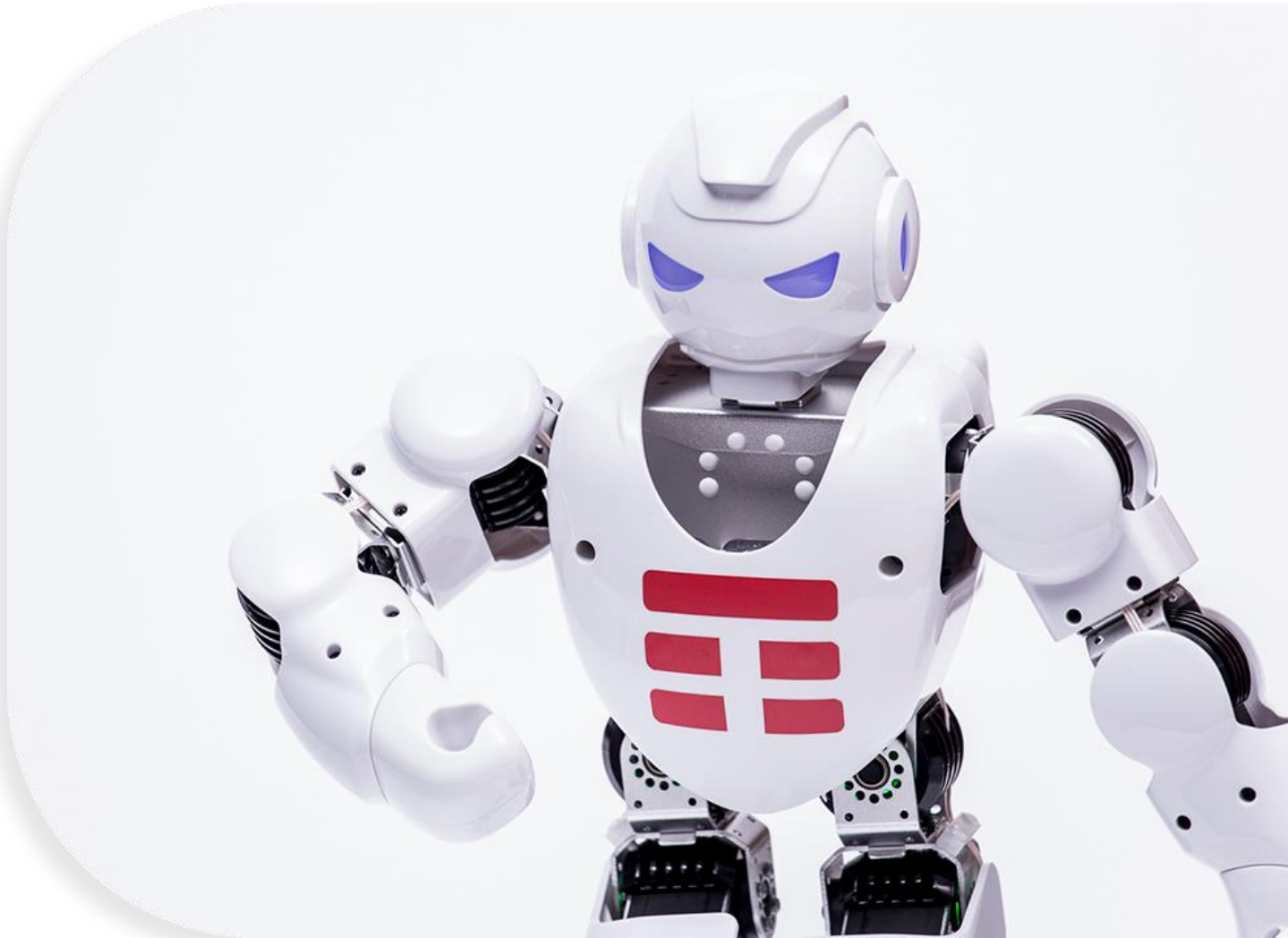
## A solid Implementation Machine to drive Transformation

- Dedicated **Transformation Office** with **20+ full time resources**
- **250+ initiatives** articulated in **3,200+ milestones** with clear responsibilities and accountability
- **Control tower infrastructure** for continuous monitoring of transformational KPIs and real time transparency of economic impact, through a granular reconciliation between actual benefits and targets
- **Execution engine in place:**
  - Weekly progresses led by Top Management, focusing also on the synchronization of cross-functional enablers
  - Monthly assessment of executional risks
  - Central “Swat teams” dedicated to support transformational workstreams (new capabilities and methodologies)



# FY'17 and 2018-'20 Plan

- 1** 4Q'17 and FY Main Results
- 2** 2018-'20 Plan: Key Drivers and KPI Evolution
- 3** Targets and Take-Aways
- 4** Appendix



# TIM 2018-'20 Targets

## GOALS

**Sustain  
Top Line &  
Profitability**

**Strong  
Deleverage  
and drop in  
Capex  
Intensity**

**Relevant  
Step-up in  
3-Years  
Cumulated  
Free Cash  
Flow**

## 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**
  - Brazil & Inwit: **Continued Growth in Revenues and Ebitda <sup>(1)</sup>**

- Group Adj. NFP/EBITDA **~2.7x in 2018, further reducing both in 2019 and 2020 <sup>(2)</sup>**
- Domestic Capex/Sales **<20% by YE2019**

- 2018-'20 Group Cumulated Equity Free Cash Flow of **~ €4.5bn <sup>(3)</sup>** excluding spectrum and pre-dividend

**Over 2018-2020  
Plan Period**

**2018 and 2019**

**2020**

## Closing remarks

1



### **DigiTIM is now**

- Best in class customer engagement through digital and agile customer journey redesign
- Leadership positioning by sustaining premium customer base and capturing new growth opportunities in and outside the core
- Acceleration of cash-flow generation to strengthen balance sheet and increase total shareholder return
- Agile organization, performance based and data driven culture

2



### **Relentless focus on execution: delivery is utmost priority**

- End-to-end transformation across all BUs, leveraging on cross-functional enablers
- New organization and way of thinking

# FY'17 and 2018-'20 Plan

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# TIM Brazil 2018-'20 Targets

GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
<b>Sustain Top Line Growth</b>	<ul style="list-style-type: none"> <li>Further improve Mobile Service Revenue Share</li> <li>Expand Residential BB Revenues contribution</li> </ul>	Service Revenues Growth: <b>5-7% in 2018</b>	Service Revenues Growth: <b>Mid to High Single Digit CAGR '17-'20</b>
<b>Improve Profitability</b>	<ul style="list-style-type: none"> <li>Zero Base approach on Traditional Efficiency</li> <li>Capture Digitalization initiatives potencial</li> </ul>	EBITDA: <b>Double Digit growth in 2018</b>	EBITDA Margin: <b>≥40% in 2020</b>
<b>Expand Cash Generation</b>	<ul style="list-style-type: none"> <li>Smart Capex “More with less” approach</li> <li>Optimize Tax Rate</li> <li>Optimize Debt and Shareholders’ Remuneration</li> </ul>	Ebitda-Capex on Revenues: <b>≥13% in 2018</b>	Ebitda-Capex on Revenues: <b>≥20% in 2020</b> Capex: <b>~12B R\$ in '18-'20 (~20% on Rev. in 2020)</b>

# Inwit 2018-'20 Targets

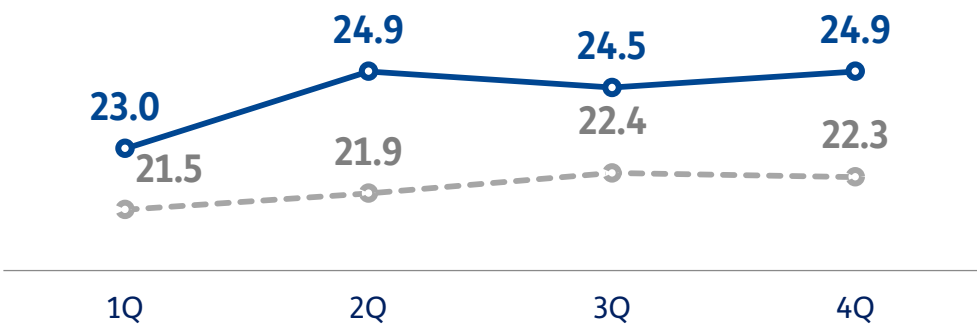
GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
Maintain leadership	<ul style="list-style-type: none"> <li>Maintain top-of-mind positioning on asset quality</li> <li>Additional tenants on existing towers</li> <li>Lead network densification phase</li> </ul>	Tenancy Ratio: <b>1.9x tenants per site in 2018</b>	Revenues Growth: <b>Mid single Digit CAGR '17-'20</b>
Address next generation infrastructures market	<ul style="list-style-type: none"> <li>Reinforce leadership on small cell neutral host market</li> <li>Start sharing model on fiber backhauling</li> <li>Prepare for "5G driven" new services</li> </ul>	New Sites: <b>0,6k sites by 2018</b> Small Cells: <b>4k remote units in 2018</b>	CAPEX: <b>300 mln € in 2018/20</b>
Improve cash-flow generation	<ul style="list-style-type: none"> <li>Win stake of demand from new players and FWA</li> <li>Take off of new businesses</li> <li>Keep up lease cost renegotiation effort and lean organization</li> </ul>	EBITDA: <b>Low Teens CAGR '15-'18</b>	Recurring FCF*: <b>Low Teens CAGR '17-'20</b>

# Domestic Fixed and Mobile

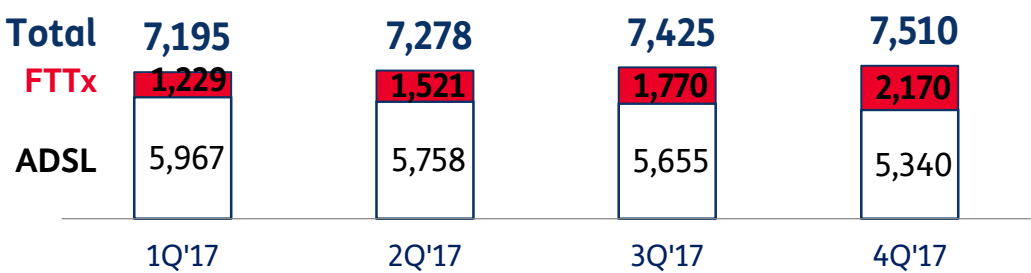
€/month, k lines

## Fixed

### BroadBand ARPU

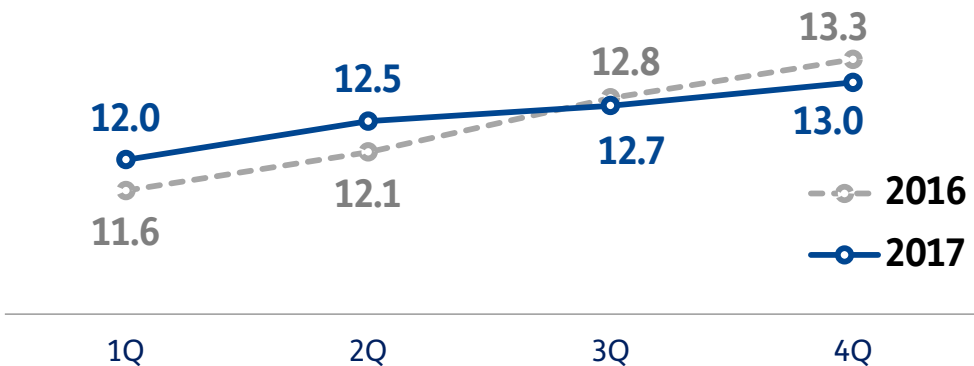


### BroadBand Customer Base

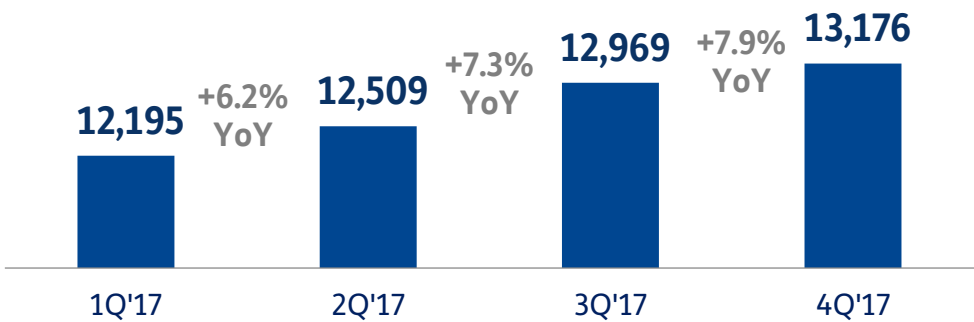


## Mobile

### Reported ARPU



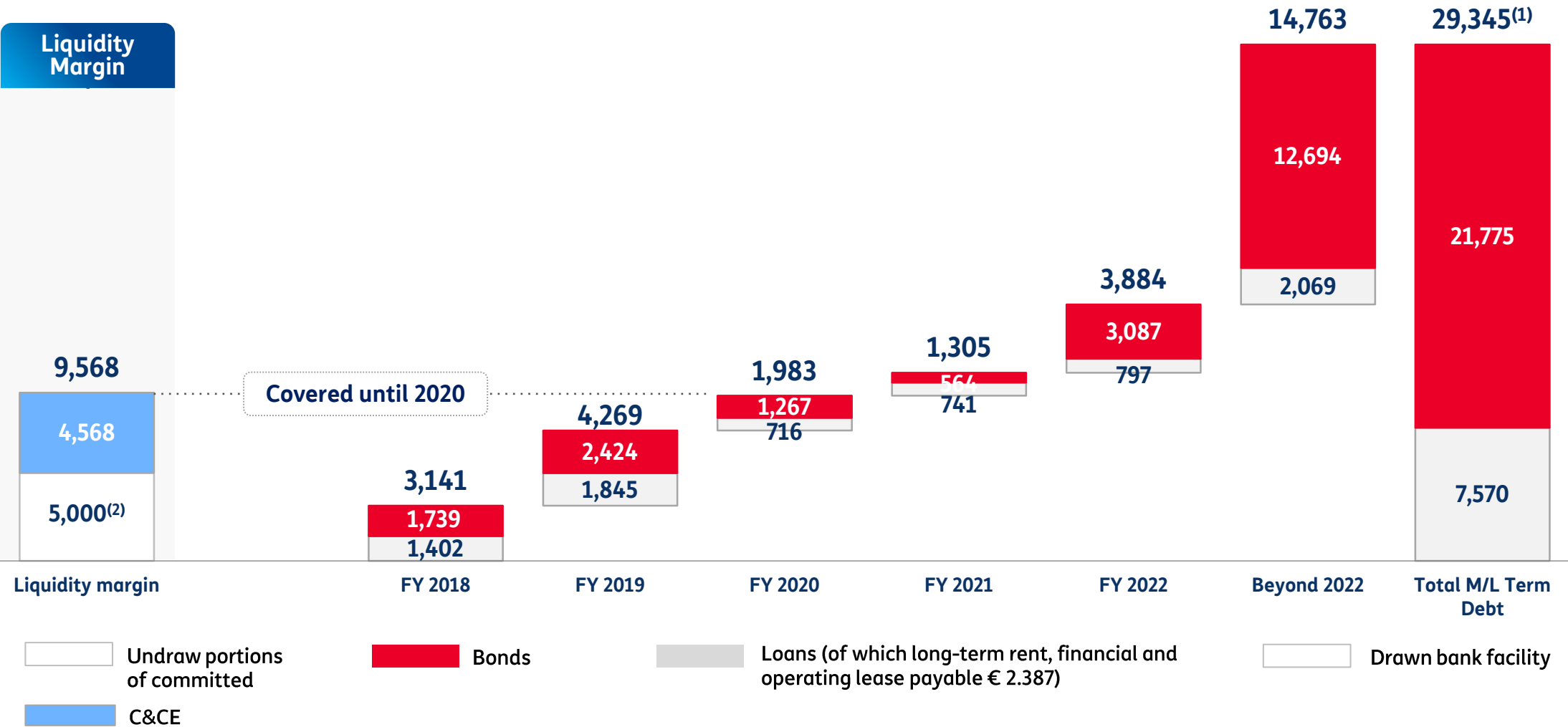
### BroadBand Customer Base





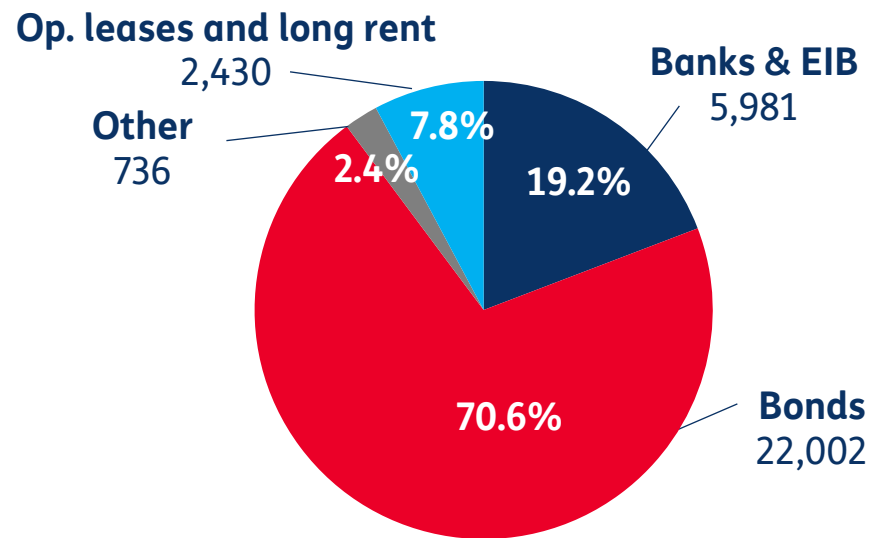
# Maturities and Liquidity Margin

€mln



# Well Diversified and Hedged Debt

€mln



<b>Gross debt</b>	€	<b>31,149</b>
<b>Financial Assets</b>	€	<b>(5,841)</b>
of which C&CE and marketable securities	€	<b>(4,568)</b>
- C & CE	€	(3,575)
- Marketable securities	€	(993)
- Government Securities	€	(276)
- Other	€	(717)

**Net financial position** € **25,308**

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 €1,715mln (of which €200mln on bonds)
- the impact on Financial Assets is equal to €932mln.

Therefore, the Net Financial Indebtedness is adjusted by €783mln.

N.B. The difference between total financial assets (€ 5,841mln) and C&CE and marketable securities (€4,568mln) is equal to €1,273mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 844 mln, financial receivables for lease for € 114mln, deposits beyond 3 months for €100mln and other credits for €215mln.

## Maturities and Risk Management

**Average m/l term maturity:**  
7.75 years (bond only 8.07 years)

**Fixed rate portion** on gross debt approximately **71.3%**

Around **33% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and is **fully hedged**



**Cost of debt: ~4.8 %**