



2Q'17 Results

July 28, 2017

# 2Q'17 Results

TELECOM ITALIA GROUP

Flavio Cattaneo  
Piergiorgio Peluso



# Safe Harbour

This presentation contains statements that constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations, estimates regarding 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. Consequently, TIM makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward looking statements.

Forward-looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results. Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. TIM undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in TIM business or acquisition strategy or planned capital expenditures or to reflect the occurrence of unanticipated events. Analysts and investors should consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission which may identify factors that affect the forward looking statements included herein.

The financial and operating data have been extracted or derived, with the exception of some data, from the Half-year Condensed Consolidated Financial Statements as of and for the six months ended 30 June 2017 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as IFRS). Please note that the limited review on the TIM Group Half-year Condensed Consolidated Financial Statements at 30 June 2017 has not yet been completed.

The accounting policies adopted in the preparation of the Half-year Condensed Consolidated Financial Statements as of and for the six months ended 30 June 2017 are the same as those adopted in the TIM Group consolidated financial statements at 31 December 2016, to which reference can be made. No new standards and interpretations were endorsed by the EU and in force from 1 January 2017.

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

# Agenda

## — 2Q'17 TIM Group Results - Flavio Cattaneo

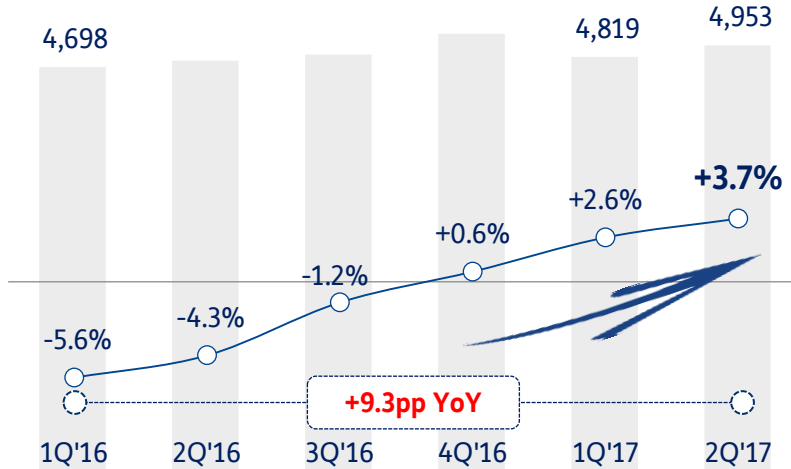
Financial Highlights - Piergiorgio Peluso

Back-up

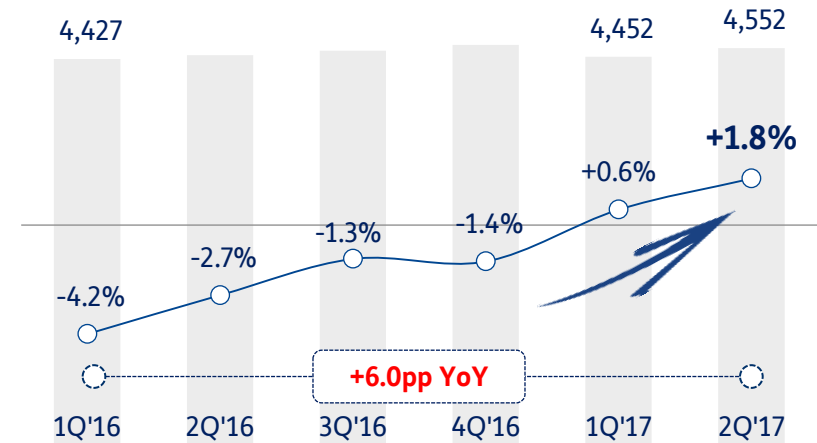
# TIM Group 2Q'17: Transformation Delivered

Organic data, YoY Performance

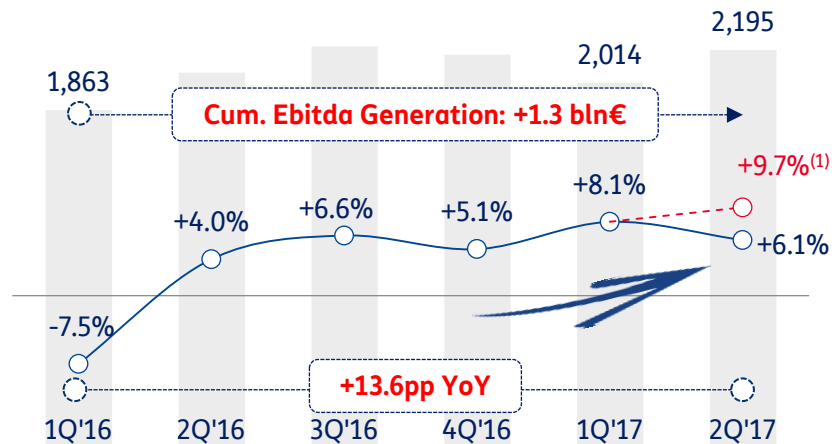
## Total Revenues



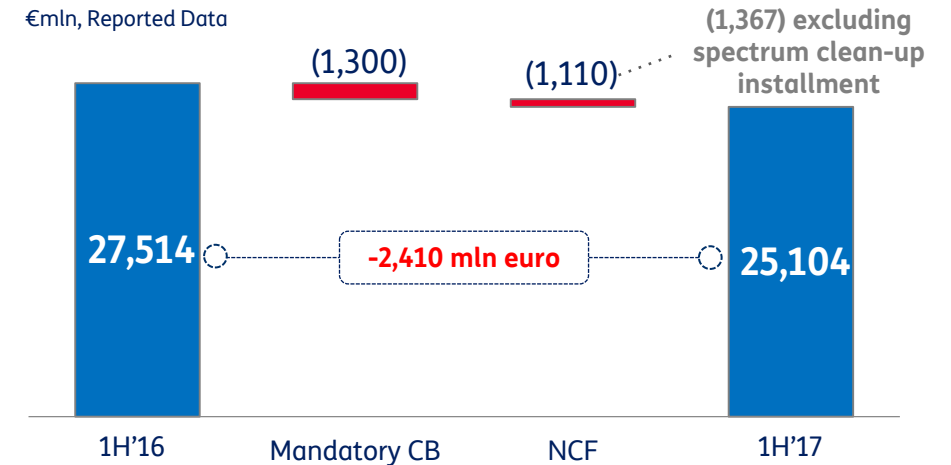
## Service Revenues



## Ebitda



## Adjusted Net Debt



(1) Excluding one-off items in 2016

# Building Leadership



## KPIs and Financials



- Outperforming in Fiber and LTE adoption; relevant reduction in line losses
- All Financial Metrics back to positive both in Italy and Brazil
- Stepping-up Group Organic Ebitda Generation: in 5 quarters +1.3 bln euro cumulative



## Infrastructures, Cost Discipline & Cultural Change



- Further acceleration in NGN and LTE coverage: ~70% and >97%, respectively
- Cost Efficiency Program supports Margin expansion, creating flexibility for more effective commercial levers
- Deep revision and simplification of Procedures // Service Quality and Immediate Delivery // Attack Mode successfully introduced



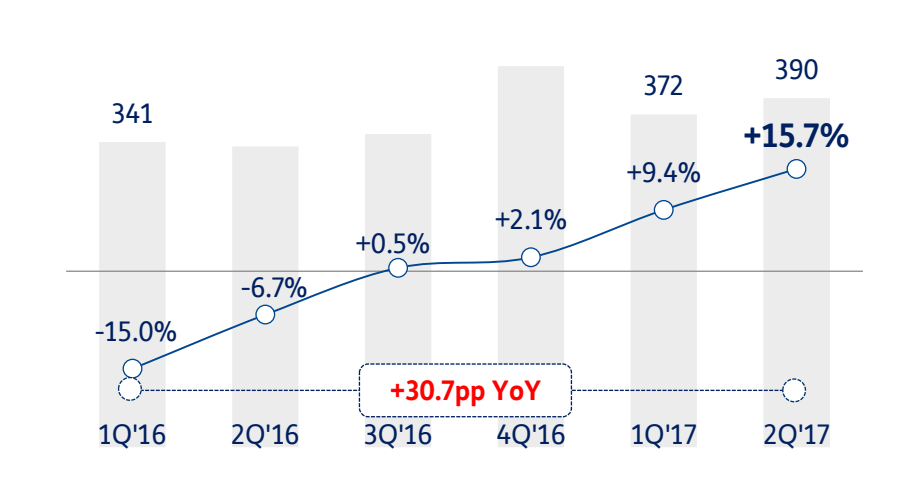
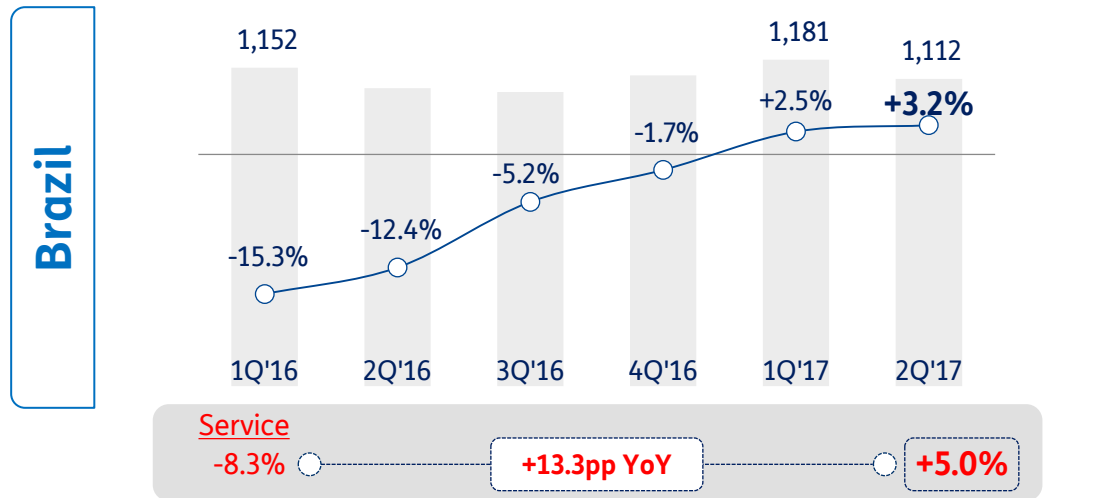
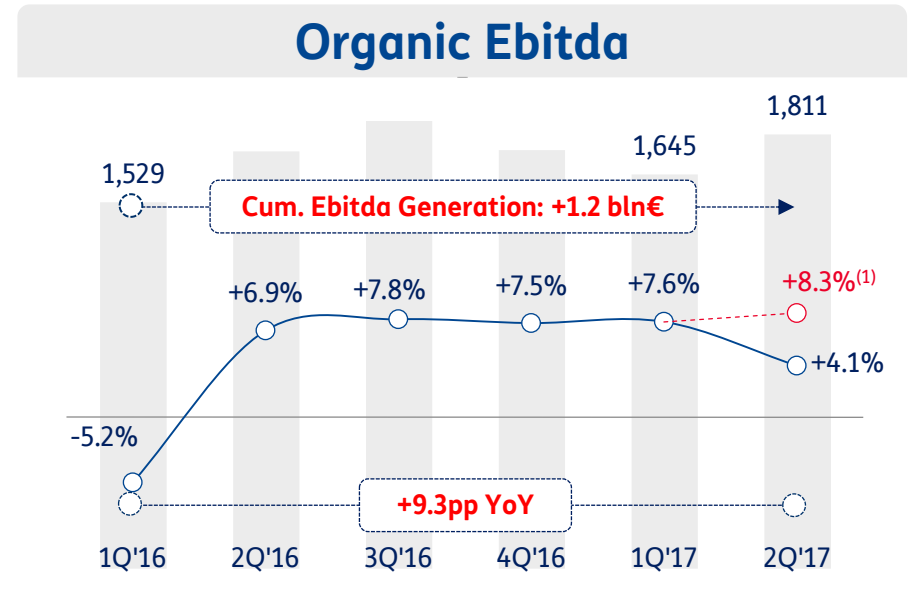
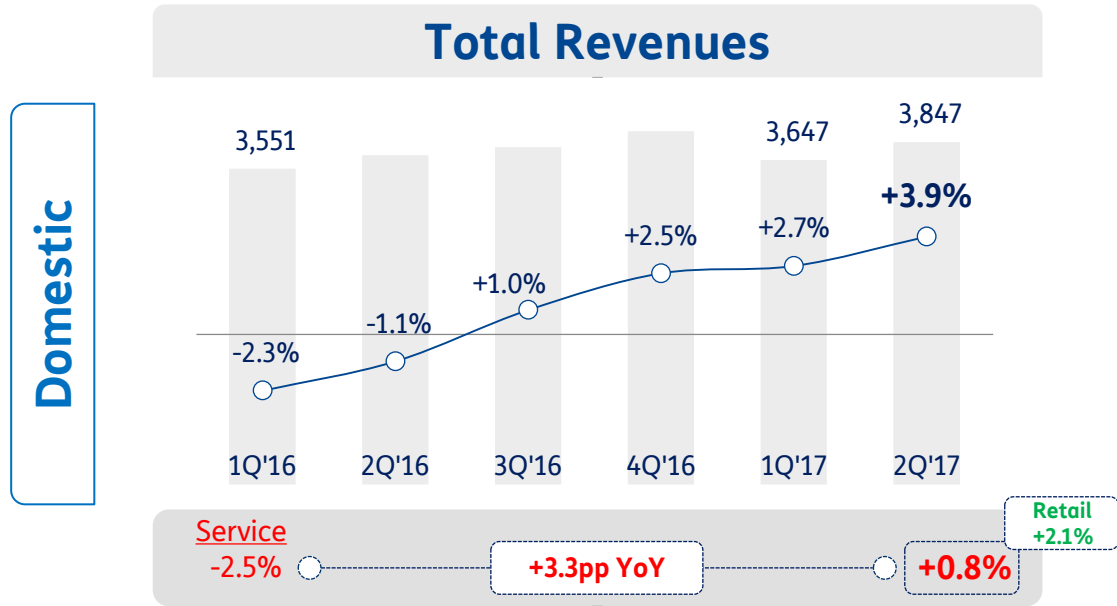
## Exceeding our Goals



- Positive Domestic Service Revenues Performance for the first time in the last 8 years
- Sound YoY Generation in Recurring Net Cash Flow in 1H'17: +1.0 bln euro

# Domestic & Brazil 2Q'17: Further Operational and Financial Improvement

Organic data, YoY Performance



(1) Excluding one-off items in 2016

# Domestic 2Q'17: Strong Results, KPIs and Trends in All Segments



## 2Q'17

- Total Revenues growth (+3.2% YoY) combined with strong line performance
- Service revenues at +2.5% YoY, on the back of positive Consumer and Business Results

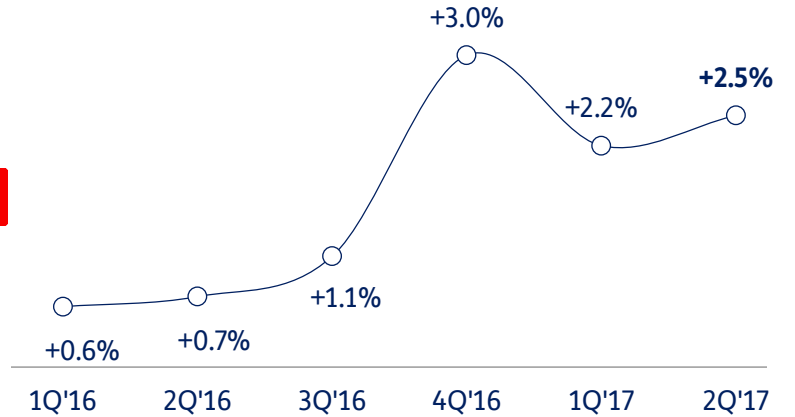


## KPIs

- ARPU up to 12.5€ vs 12.1€ in 2Q'16
- Sound Total CB growth (+535k QoQ) with higher penetration of calling customers: 86.9% in 2Q'17 vs 86.5% in 1Q'17
- Solid CB growth in Mobile BroadBand adoption reaching 12.5 mln users, with a LTE penetration of 72% (+23pp YoY)



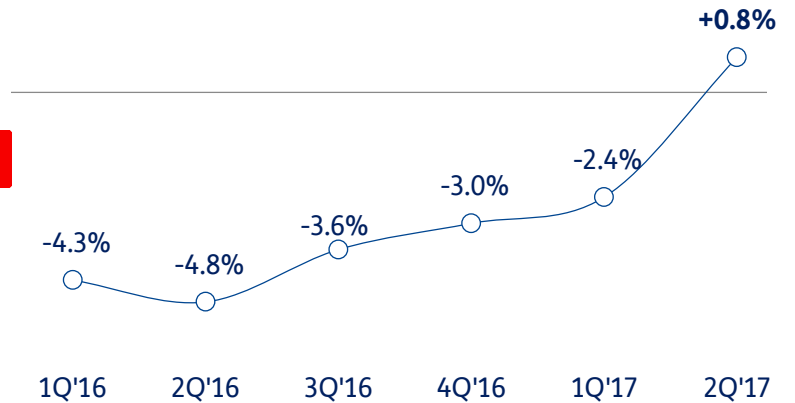
## Service Revenues Trend



- Total revenues growth of +4.7% YoY supported by:
  - Service revenues back to positive, +0.8% YoY
  - NGN coverage expansion & Fiber adoption
  - Media and Entertainment with new digital devices
  - Premium and exclusive content
  - Enriching IT based offers for SME and reinforcing ICT solutions for TOP clients

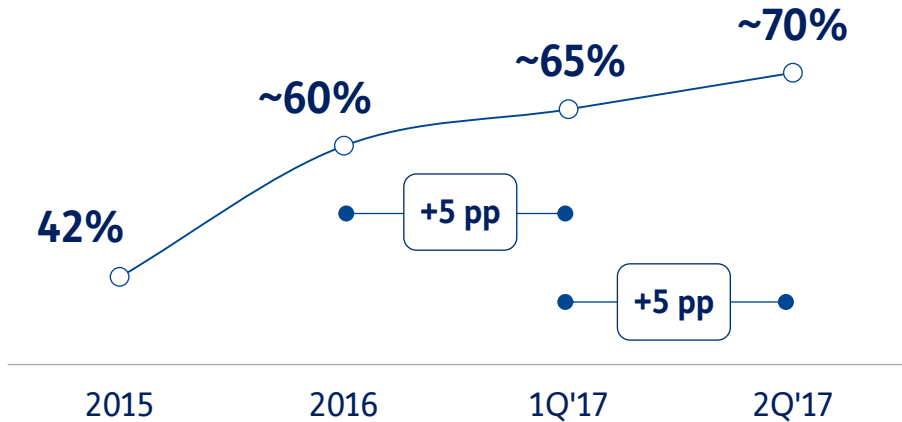


- Further record in line losses at -45k vs -134k in 2Q'16. Including Voip, in this quarter the performance is -35k
- Fiber Net Adds at +290k, increasing Retail NGN customers to over 1.5mln
- BB ARPU up to 24.9€
- Consumer blended ARPU up at ~34€
- Total Fiber Customers above 2 mln (Wholesale NGN +151k in 2Q'17)



# UBB Networks: Another Step Towards Full Country Coverage

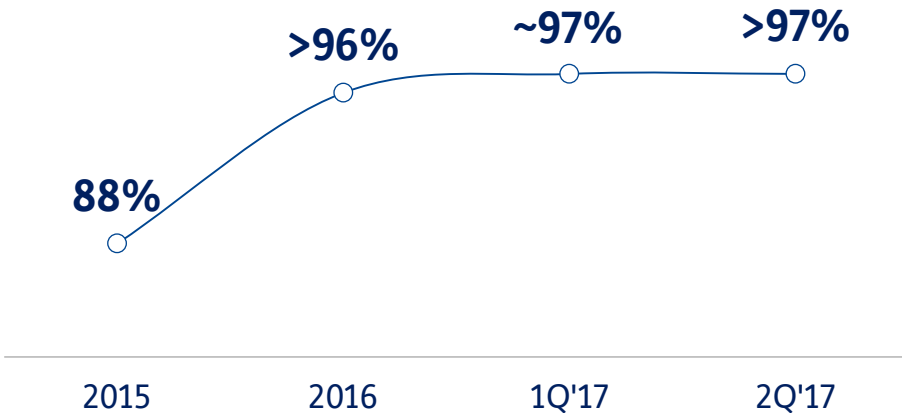
## Fixed Coverage



## Current Figures

- ~70% households covered
- ~98k cabinets passed
- ~176k FTTH OTB installed
- 16.6mln HH passed FTTC
- 1.5mln HH connected FTTH

## Mobile Coverage

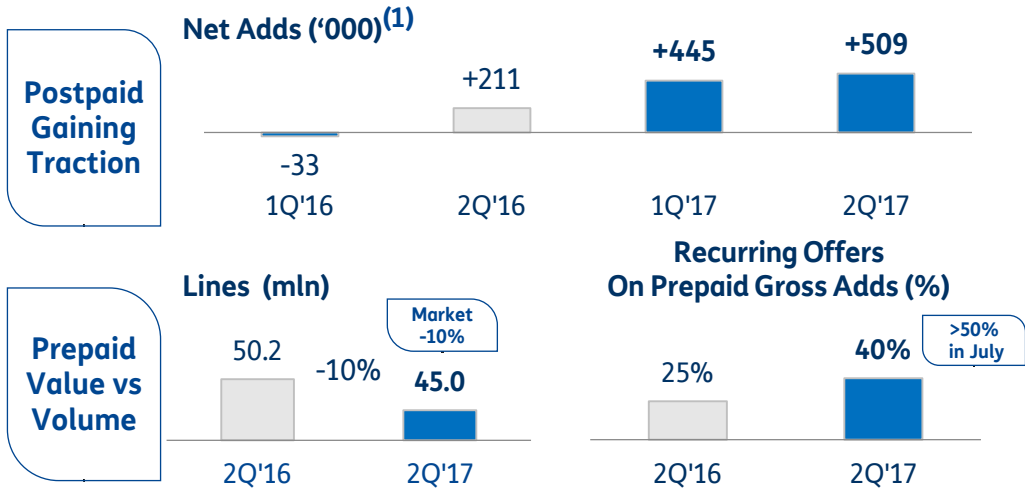


- >97% LTE outdoor coverage
- ~17,000 LTE nodes
- >7,100 cities covered:
  - 1,106 cities 4G plus
  - 11 cities 4.5G speed up to 500 Mbit/s



# TIM Brasil 2Q'17: Recovery Accelerates

## CB Evolution: Higher Focus on Value



Postpaid Gaining Traction

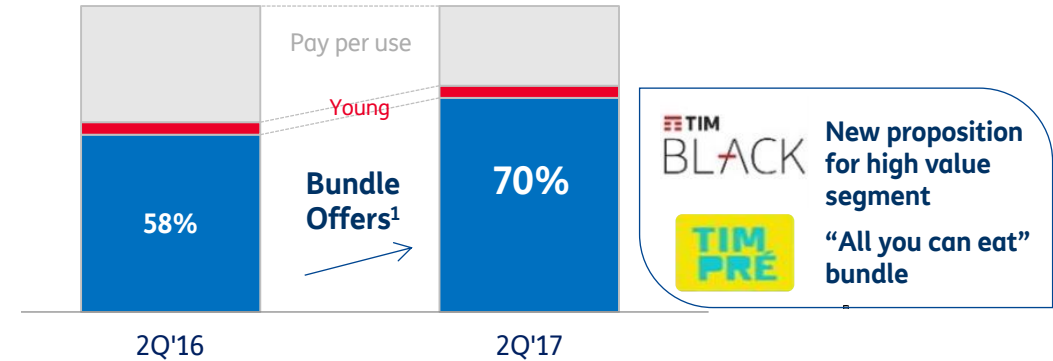
Prepaid Value vs Volume

Service Revenues +5% YoY

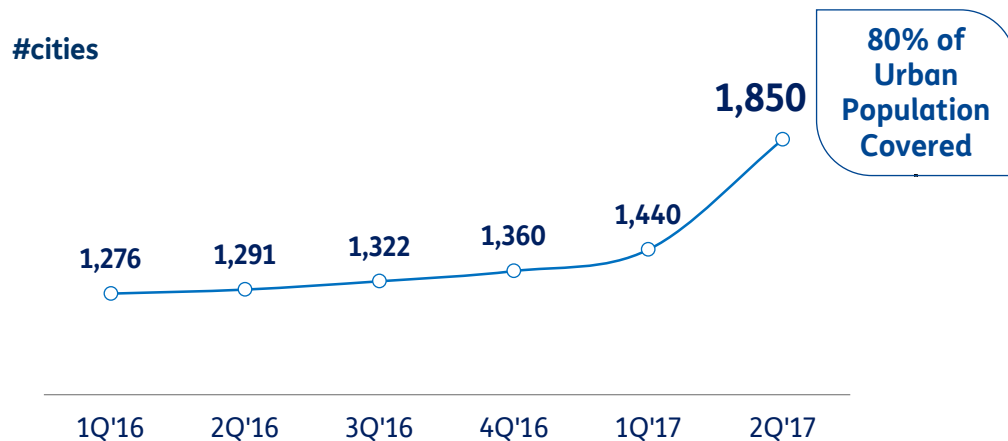


## Improving Revenues Mix

Mobile Service Revenues (excluding Incoming)



## 4G Fastest Roll Out

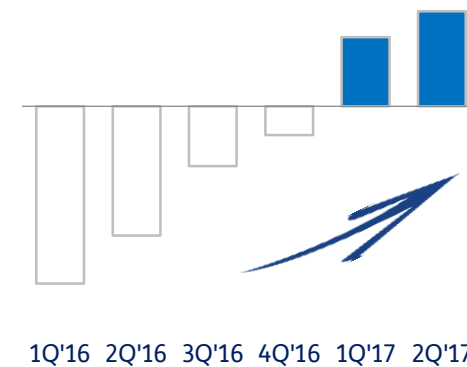


Organic<sup>(2)</sup> EBITDA +16% YoY

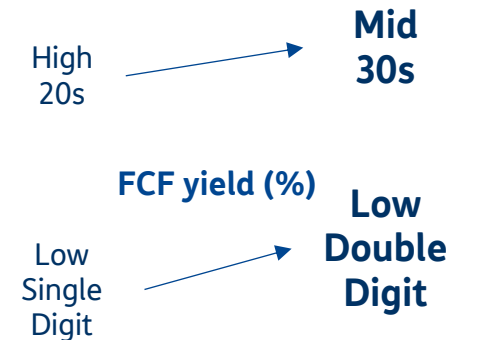


## Turnaround Progressing

Revenues growth at a new frontier



EBITDA margin (%)



<sup>1</sup> Bundle offers = postpaid + weekly prepaid bundle  
<sup>2</sup> Net of Non-Recurring Items

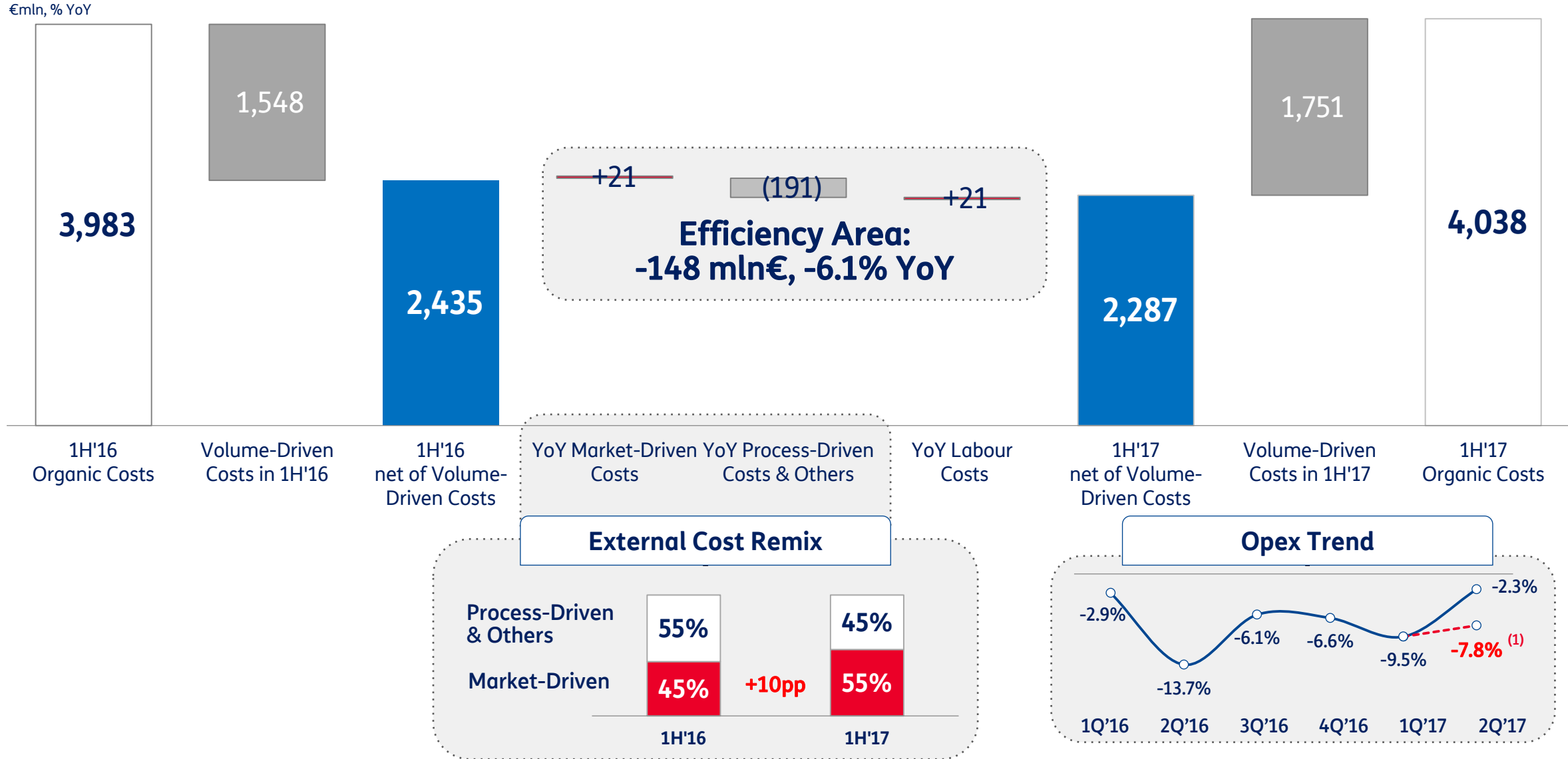
# Agenda

2Q'17 TIM Group Results - Flavio Cattaneo

— **Financial Highlights - Piergiorgio Peluso**

Back-up

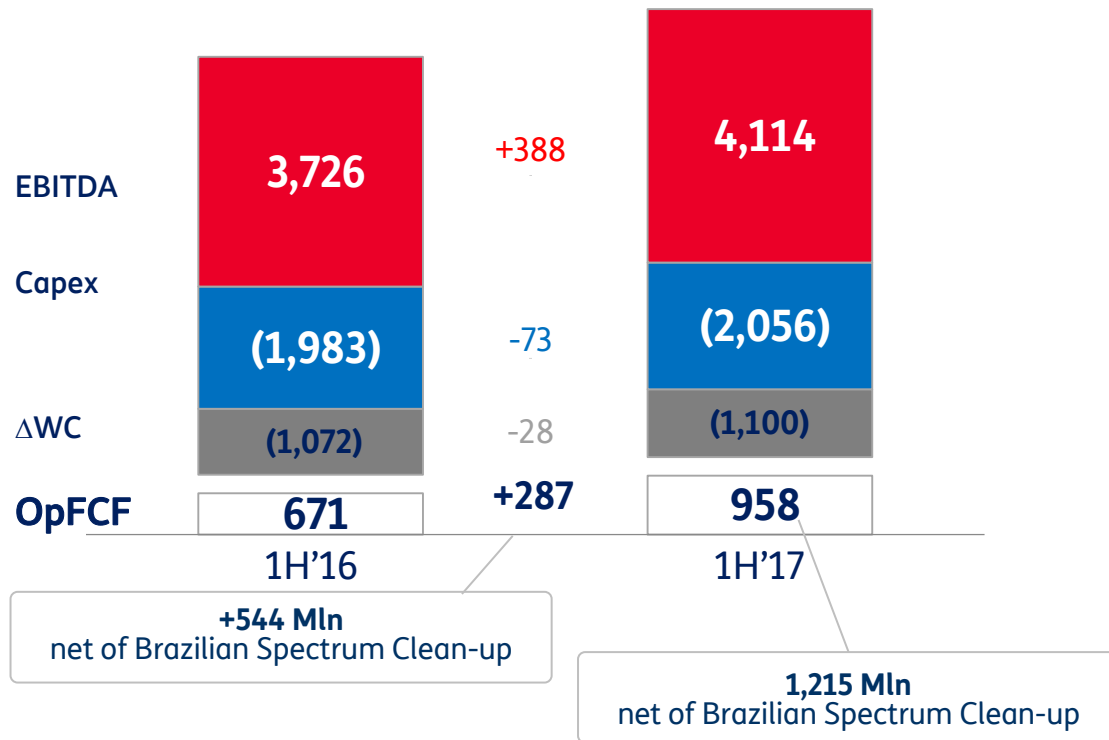
# Domestic Opex Efficiency Continues



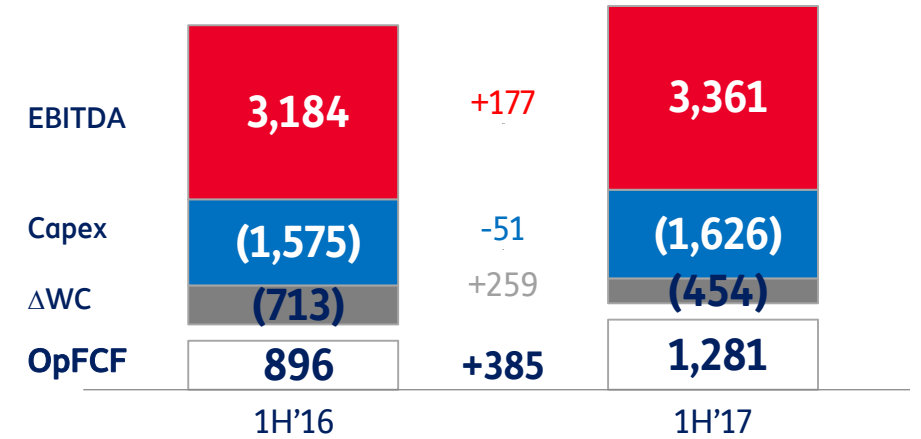
# OpFCF Generation

€mln, Reported, % YoY

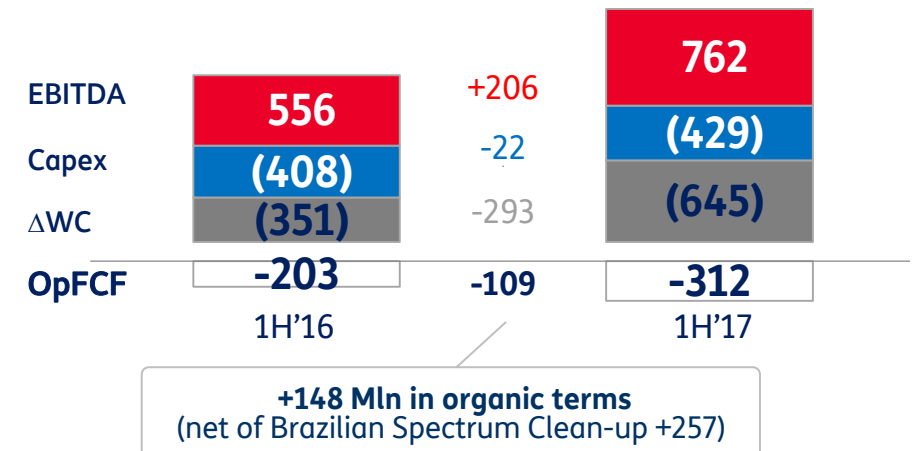
## Group OpFCF



## Domestic



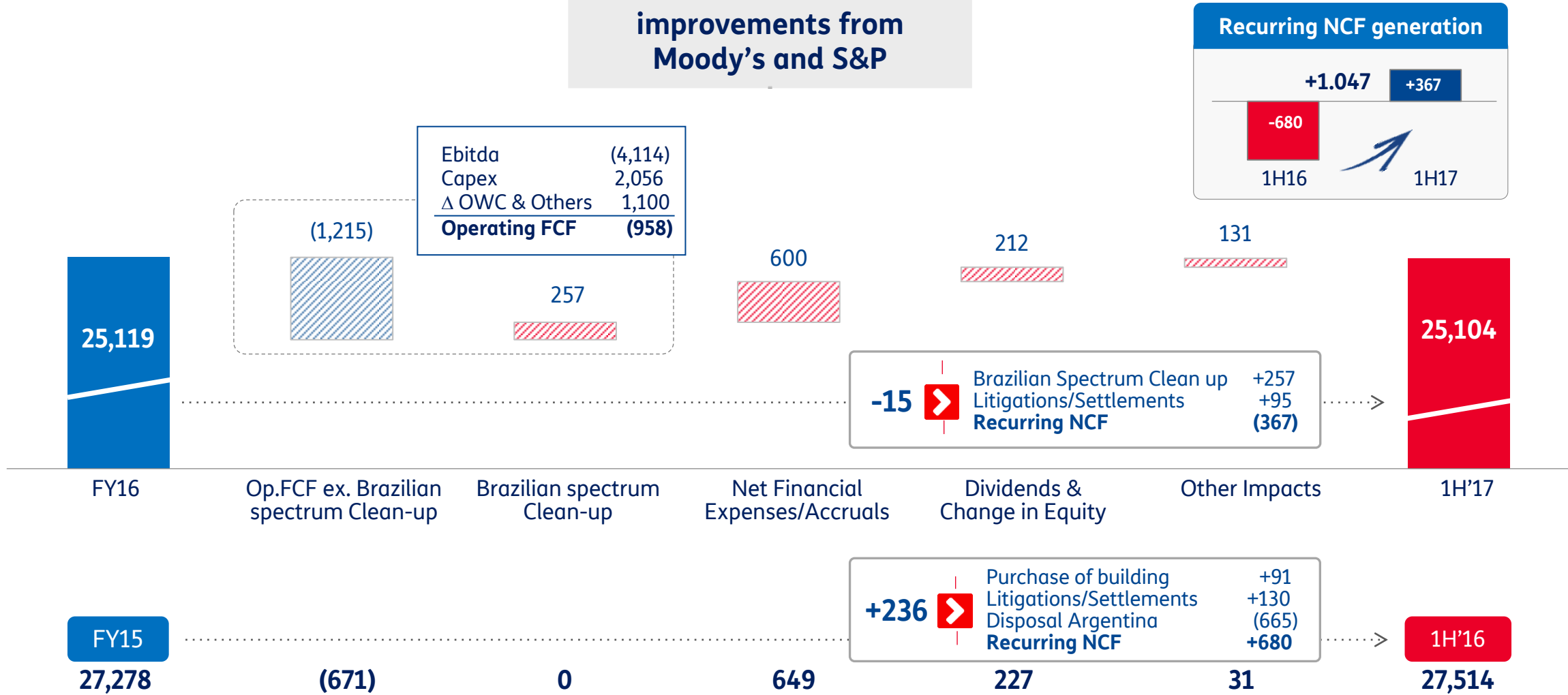
## Brazil



# Net Financial Position Evolution

€mln, (+) cash absorbed, (-) cash generated

**TIM Solid Performance drove outlook improvements from Moody's and S&P**



# Agenda

2Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

— Back-up

# 1H'17 - TI Group Results Overview

## Group

- Revenues: **€ 9.8 bln**
- EBITDA\*: **€ 4.2 bln**



- Capex: **€ 2.1 bln**
- Net Debt: **€ 25.1 bln**

## Domestic

- Revenues: **€ 7.5 bln**
- EBITDA\*: **€ 3.5 bln**



- NGN: **~70%** Households covered to-date
- 4G: **>97%** of Population in **>7.1k** Cities

## Brazil

- Revenues: **€ 2.3 bln**
- EBITDA\*: **€ 0.8 bln**



- 4G: **1,850** Cities with **80%** of urban population covered
- 3G: **2,916** Cities with **90%** of urban population covered

## Inwit

- Revenues: **€ 173.8 mln**
- EBITDA: **€ 90.6 mln**

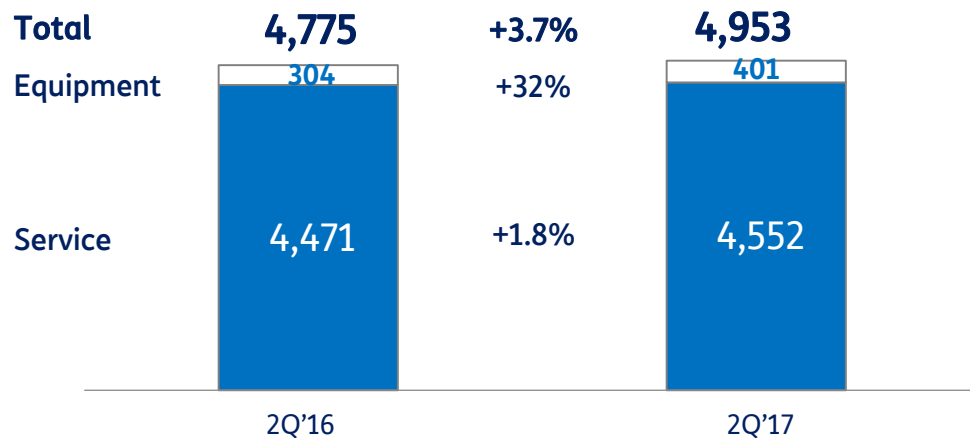


- Tenancy Ratio: **1.78x**
- EBITDA Growth: **+14% YoY**

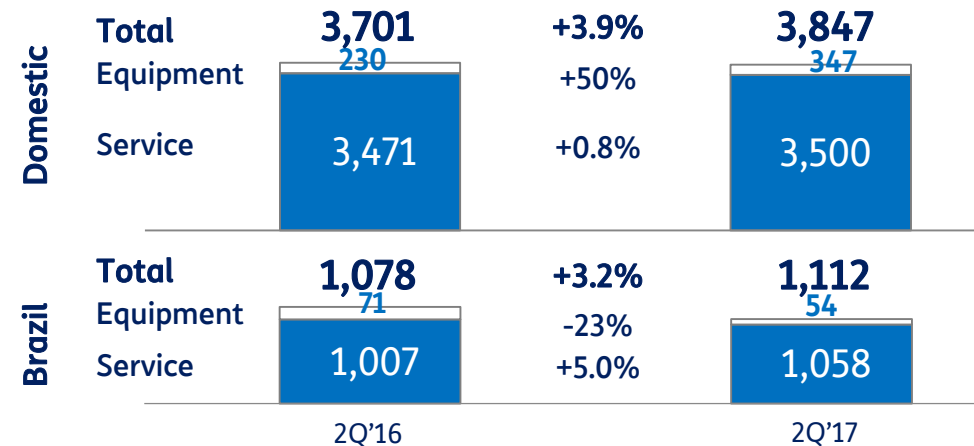
# Group 2Q'17: Organic Revenues and EBITDA

Organic\*, €mln, % YoY

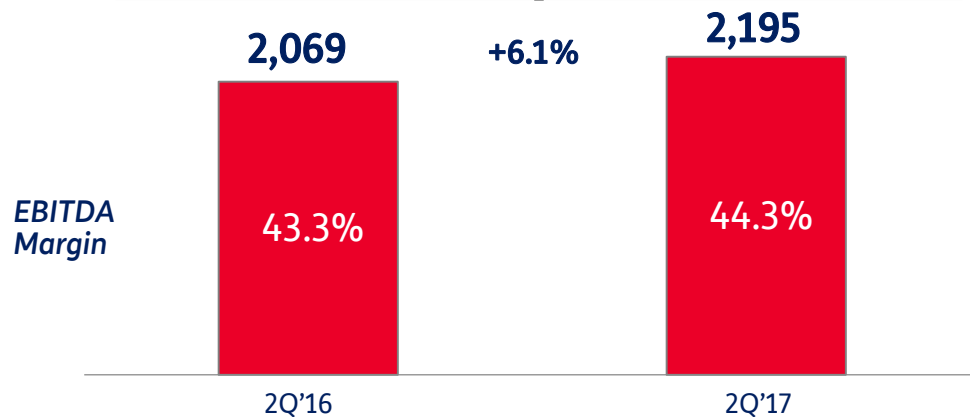
## Group Revenues



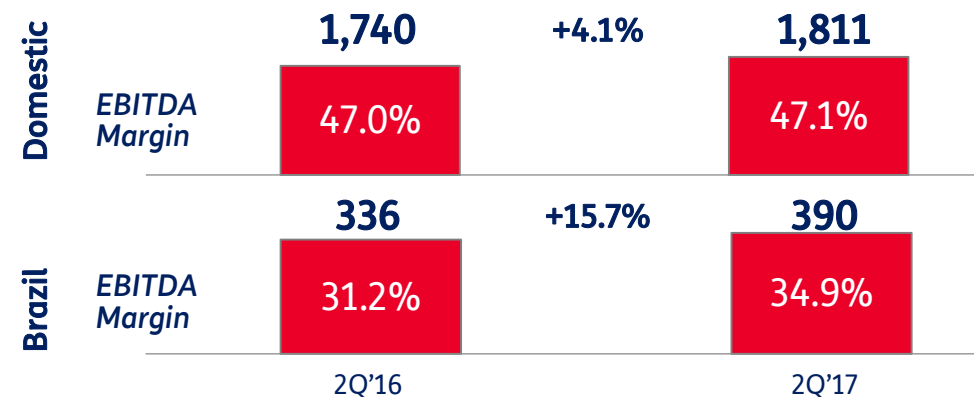
## Revenue Breakdown



## Group EBITDA



## EBITDA Breakdown

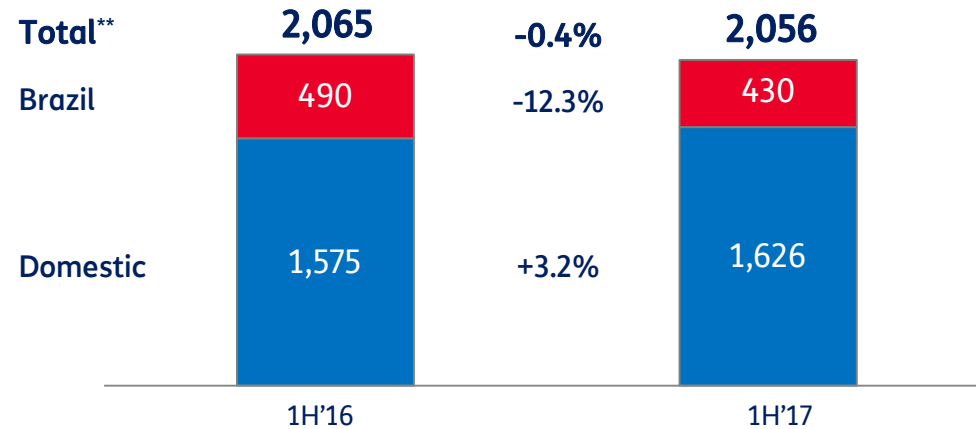




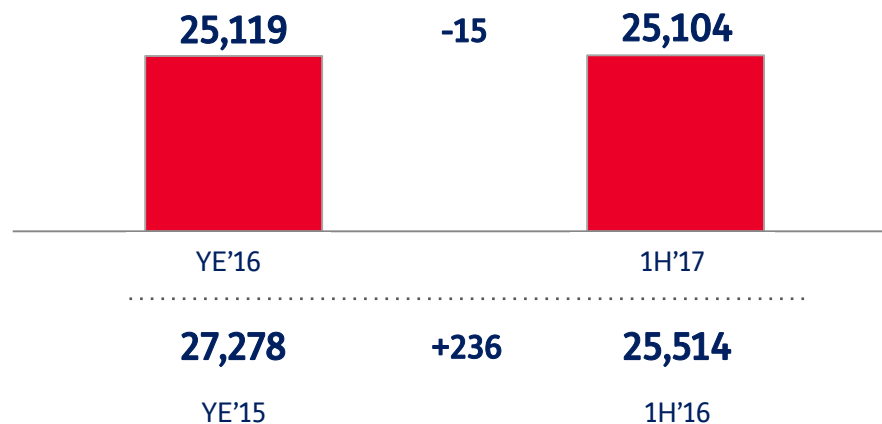
# Group 1H'17: Capex and Net Debt

€mln, % YoY

## Group Organic\* Capex



## Adjusted Net Debt



## Capex Highlights

- Group Capex reduction due to :
  - Capex cycle starting to normalize after historical peak levels. Sfocus on infrastructure confirmed. More investment in **Italy** mainly driven by **UBB Network roll-out**

## Net Debt Highlights

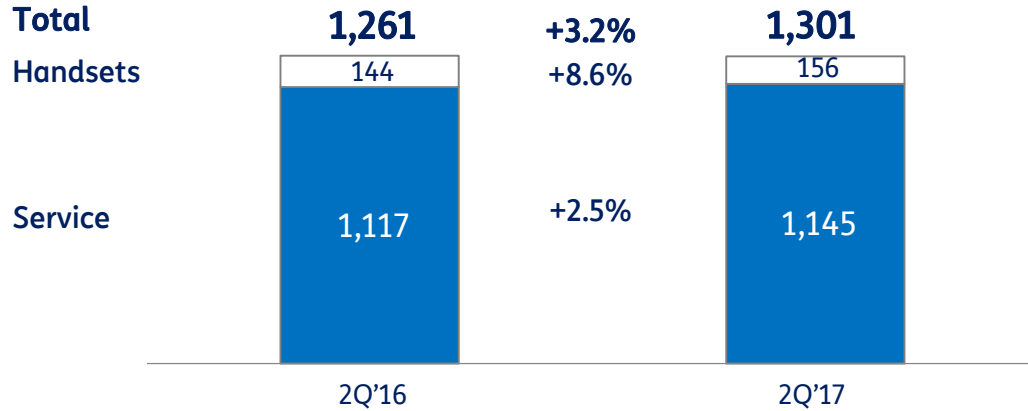
- Net Debt evolution in 1HQ'17 vs YE'16 (-15 mln euro) was mainly affected by the payment of 4G license clean-up in Brazil, the financial expenses and dividend out flow. These elements have been more than offset by a strong OpFCF

# Mobile and Fixed Performance

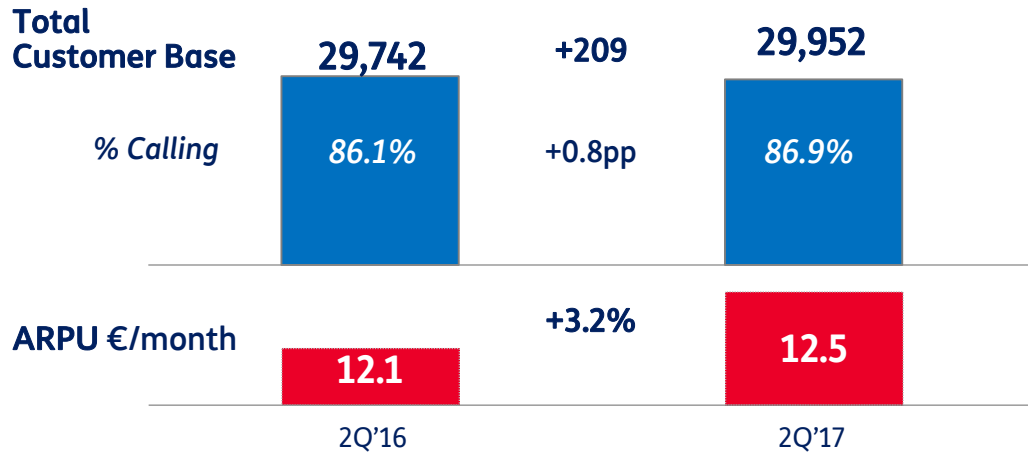
000, €mln, % YoY



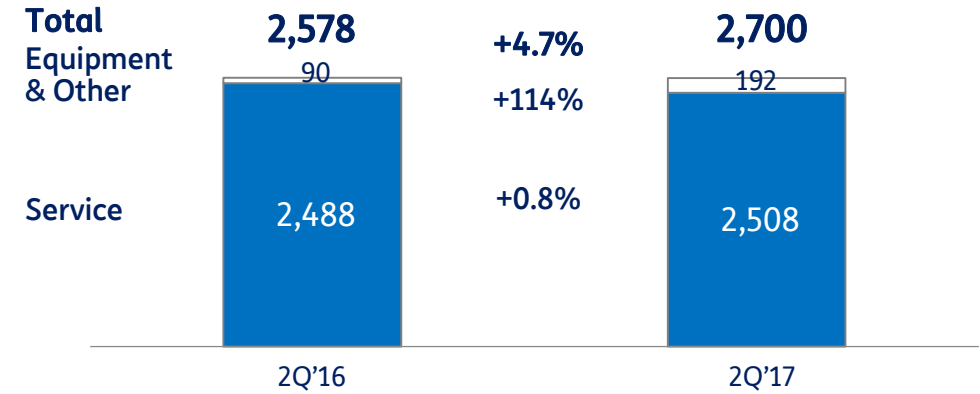
## Domestic Mobile Revenues



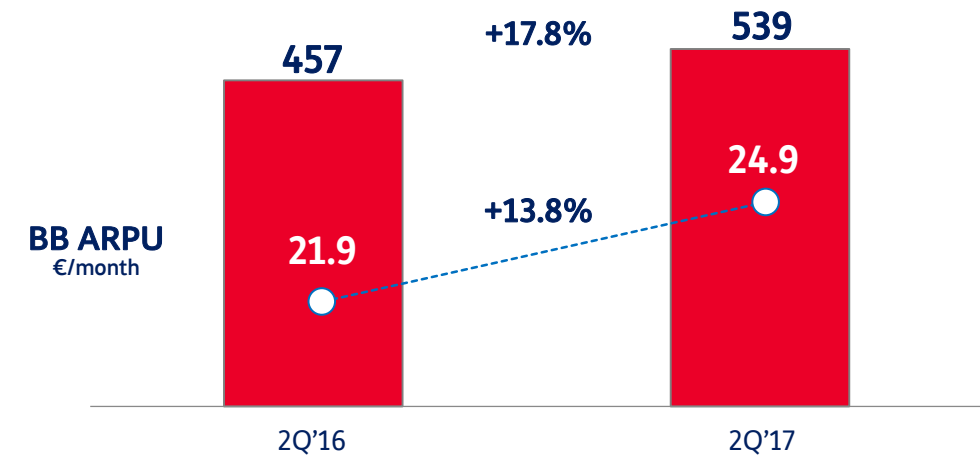
## Customer Base and ARPU Dynamics



## Domestic Fixed Revenues



## Domestic BB Service Revenues

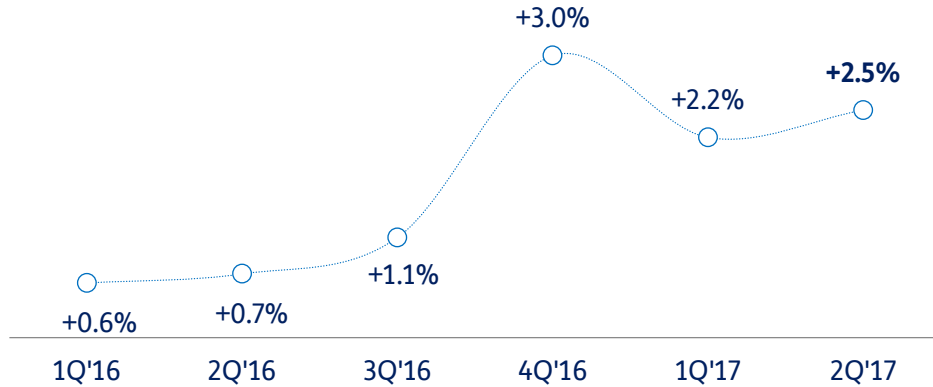


# Mobile and Fixed Dashboard

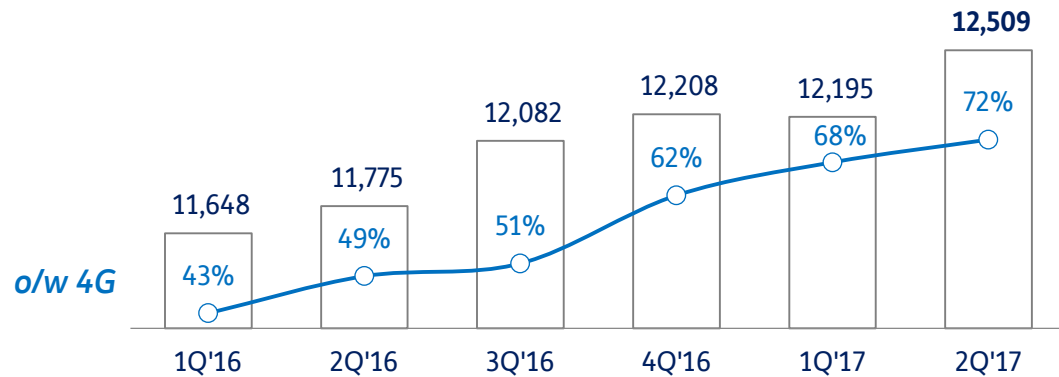
000, €mIn, % YoY



## Mobile Service Revenue Trend

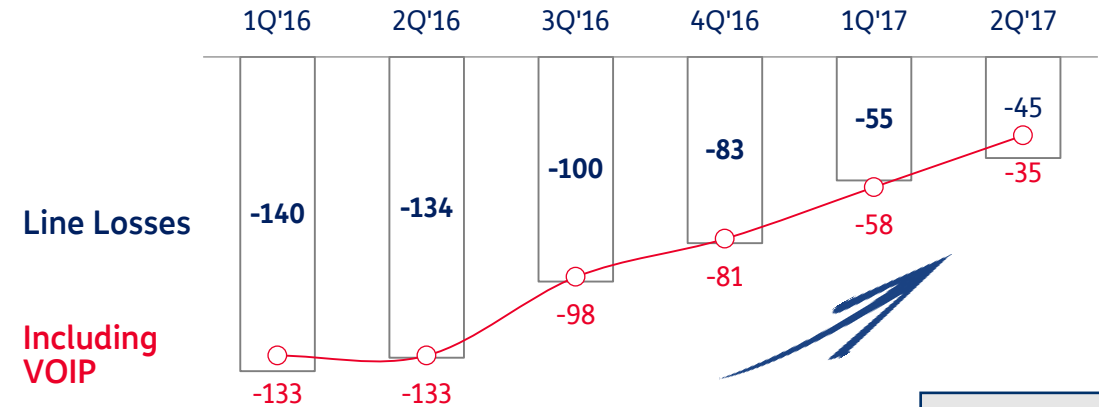


## Mobile Broadband Users



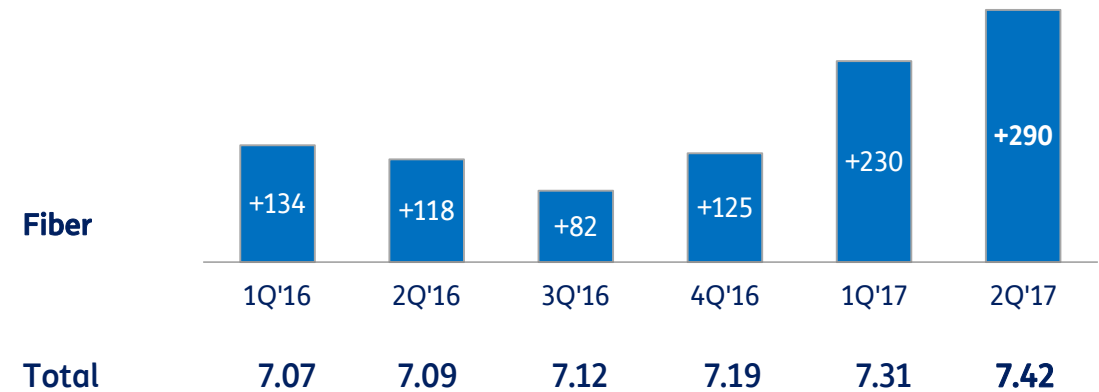
## Fixed Line Losses

Line Losses  
1H'17:  
-63% YoY



## CB BB & Fiber Net Adds

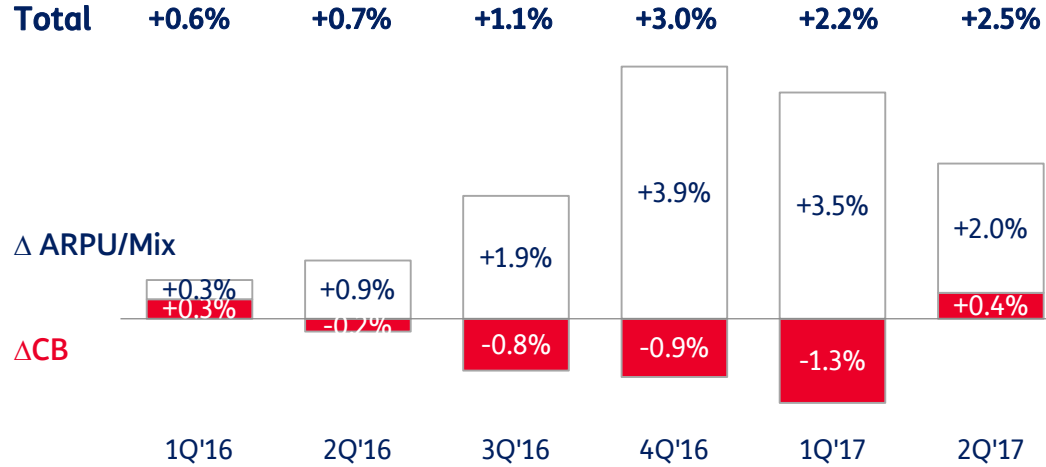
2Q'17 Fiber  
Net Adds  
+59k QoQ



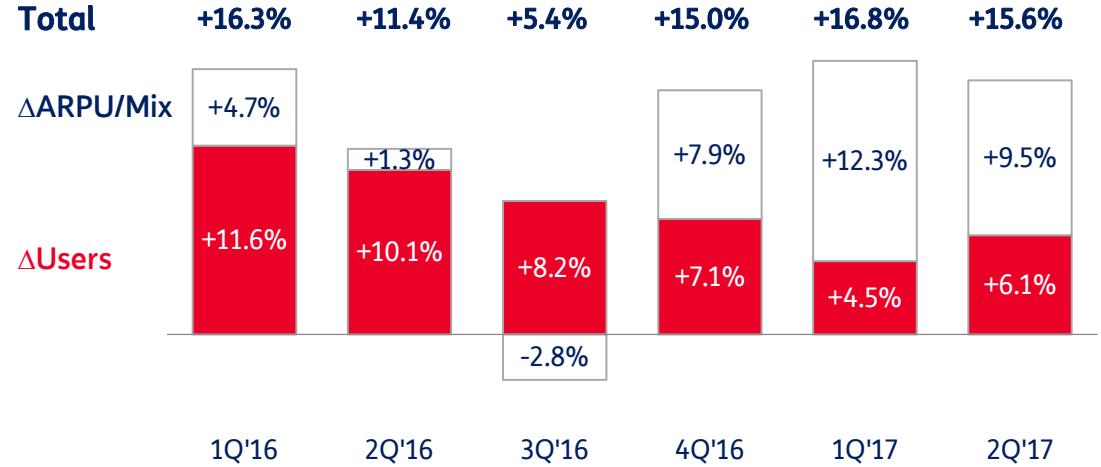
# Domestic Mobile in Detail

000, €mIn, % YoY

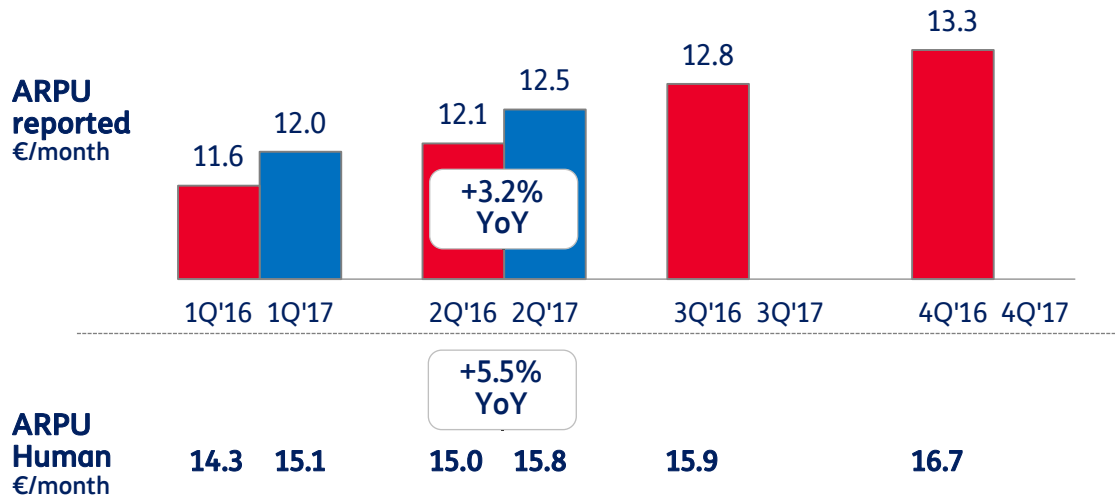
## Mobile Service Revenue Trend



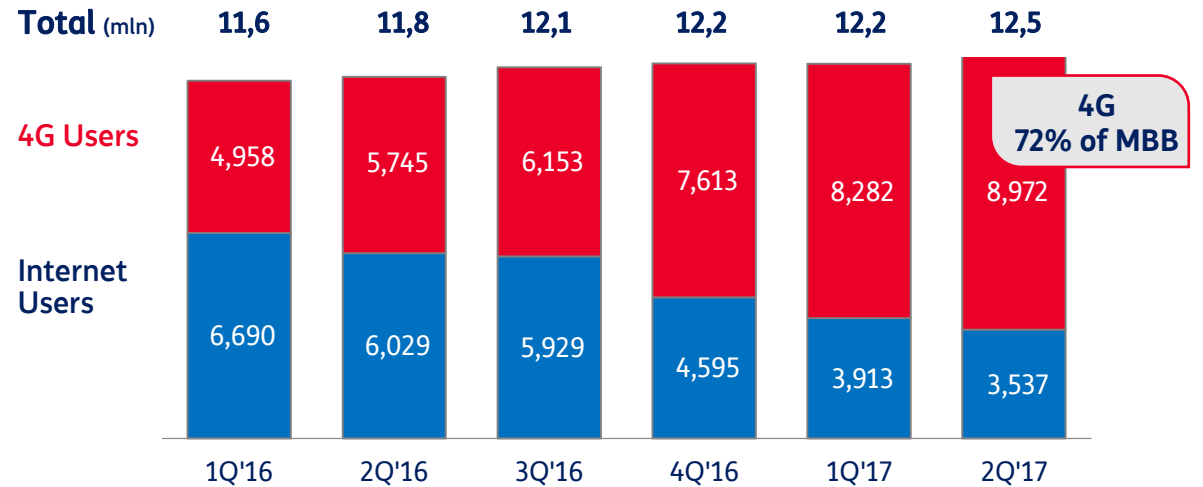
## Mobile BB Service Revenue Trend



## ARPU



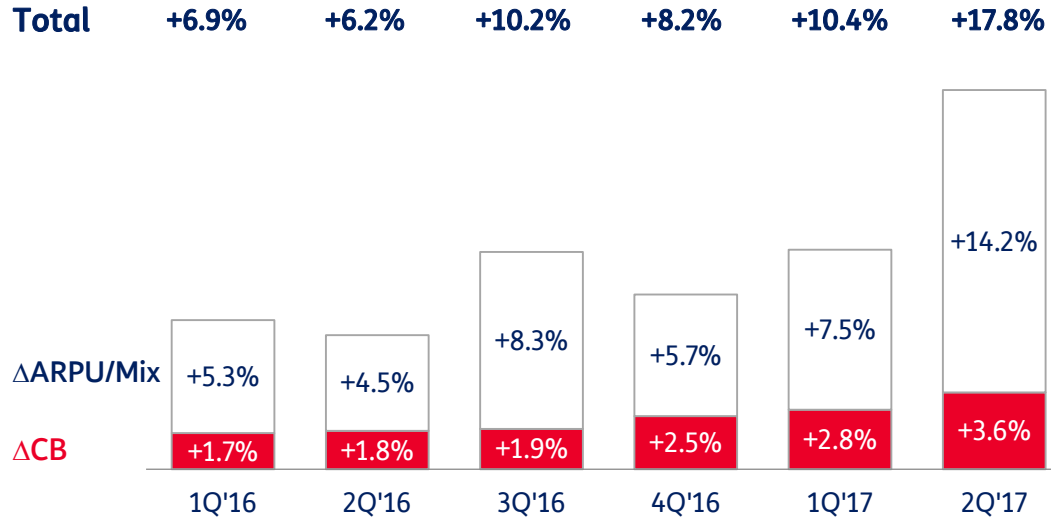
## Mobile BB Customer Base



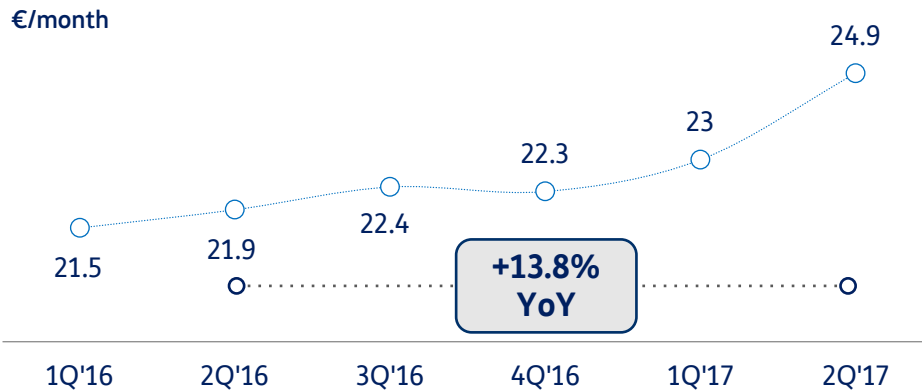
# Domestic Fixed in Detail

000, €mln, % YoY

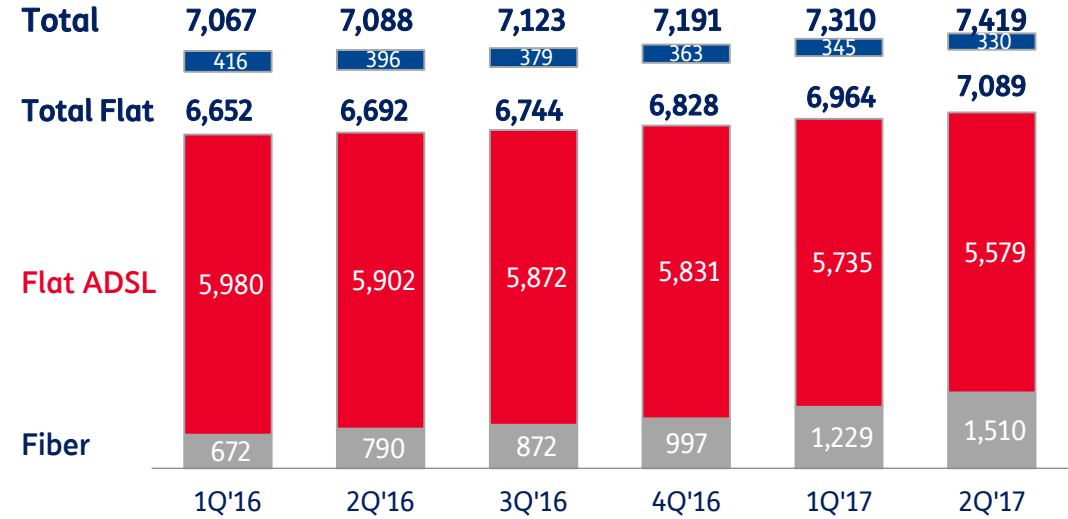
## Fixed BB Service Revenue Trend



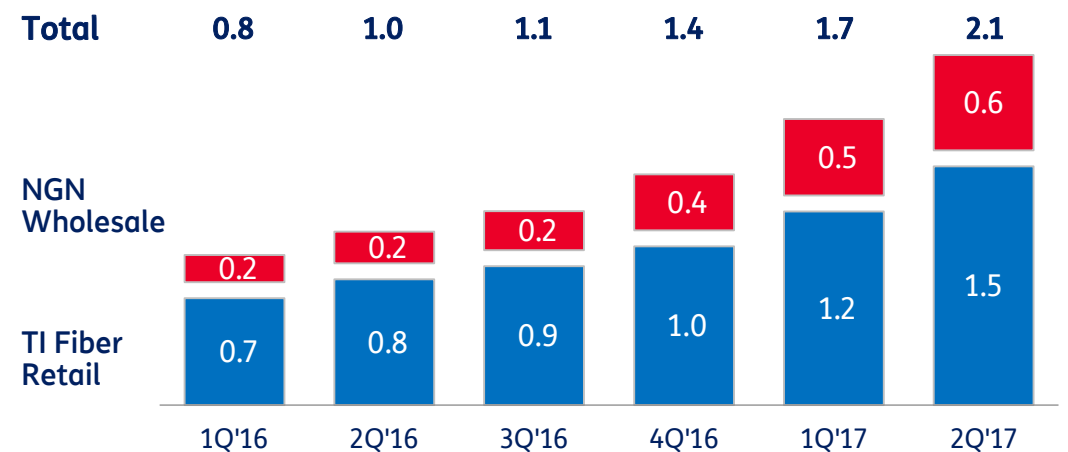
## Fixed BB ARPU



## Fixed BB Customer Base



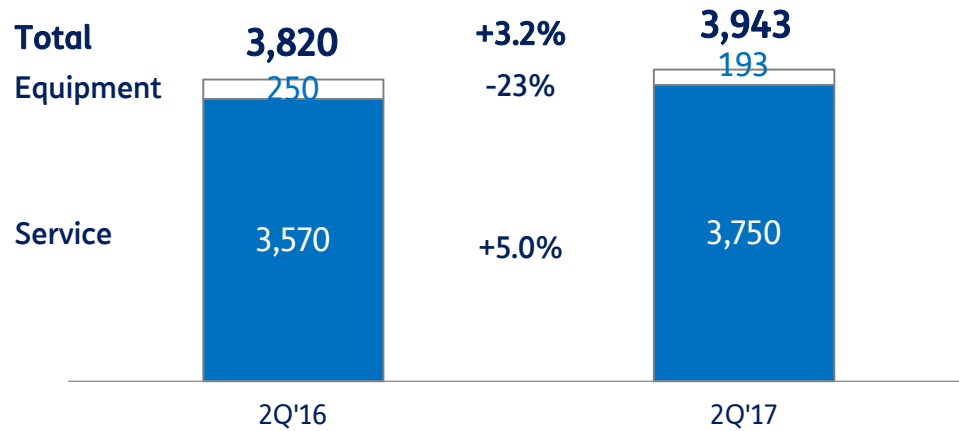
## Focus on Fiber Users (mln)



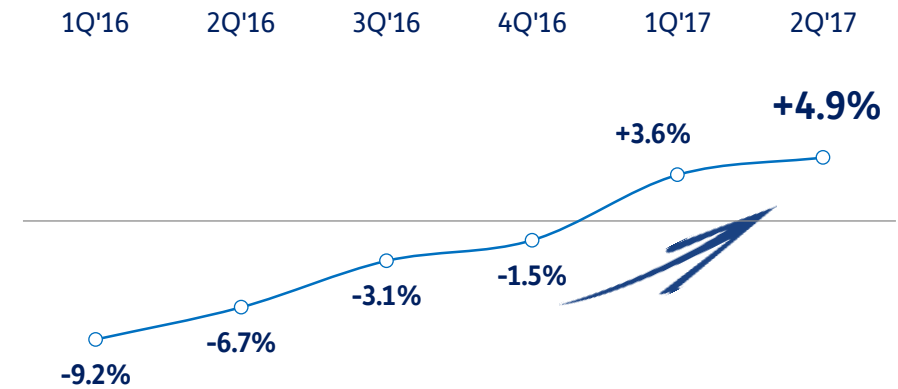
# TIM Brasil: 2Q'17 Results

R\$mIn, % YoY

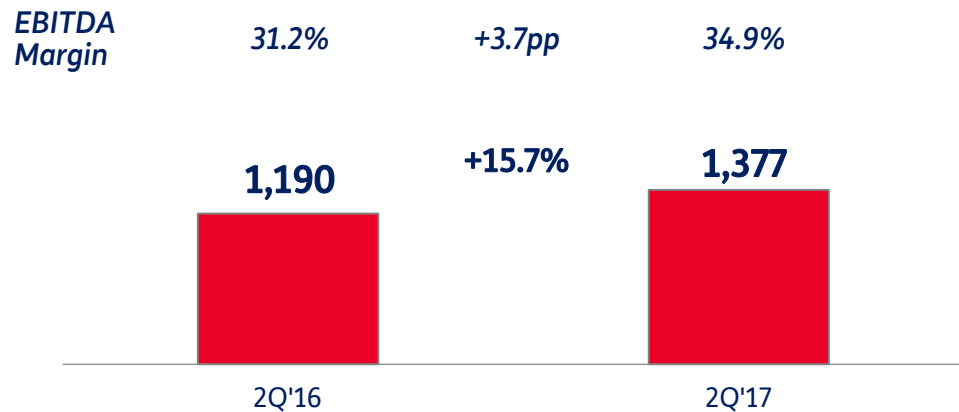
## Revenues



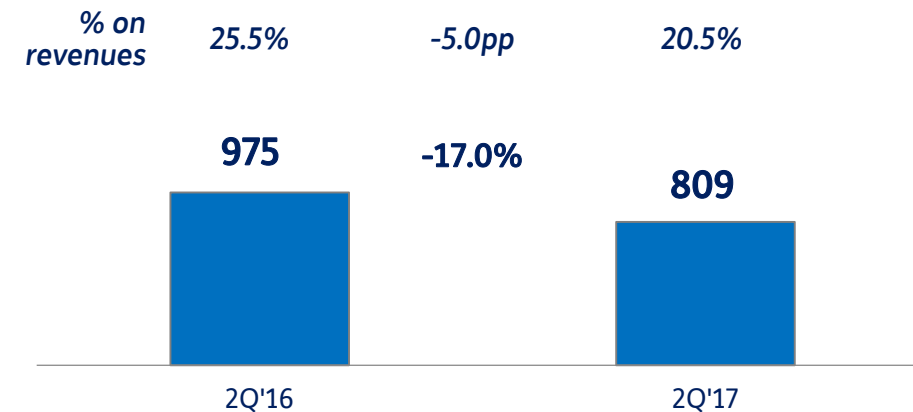
## Focus on Mobile Service Revenues YoY



## Organic\* EBITDA



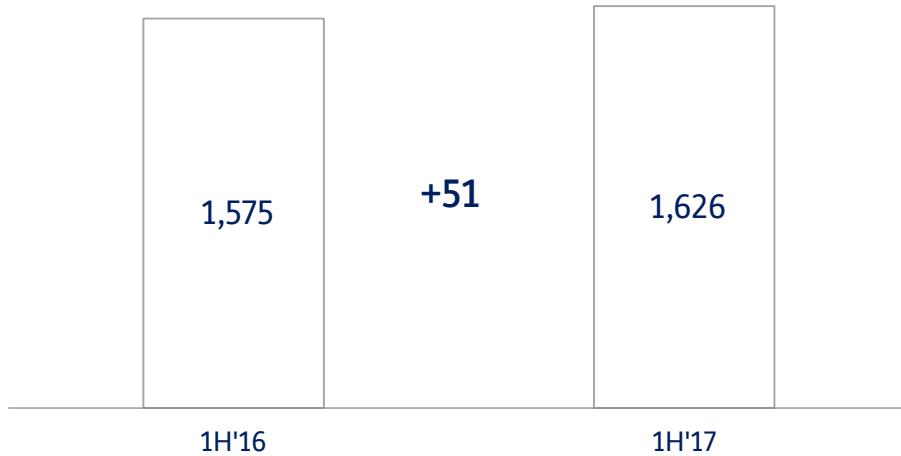
## Capex



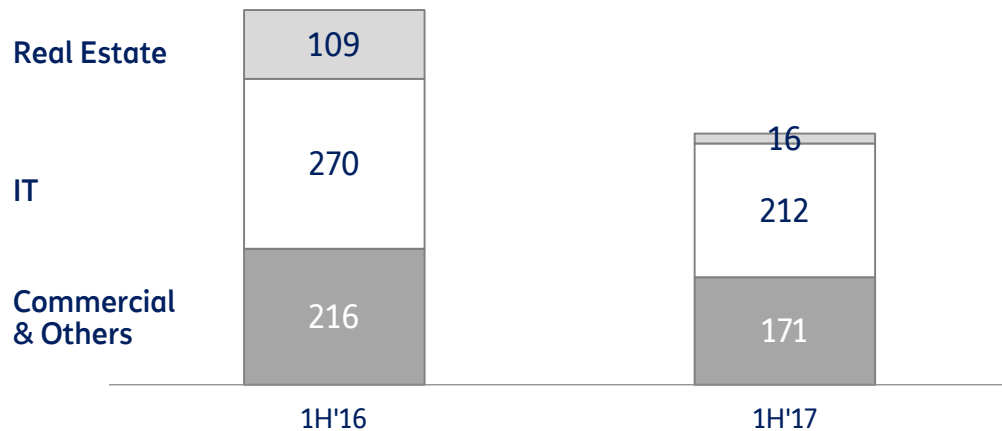
# 1H'17 Domestic: Focus on Investments

€mln

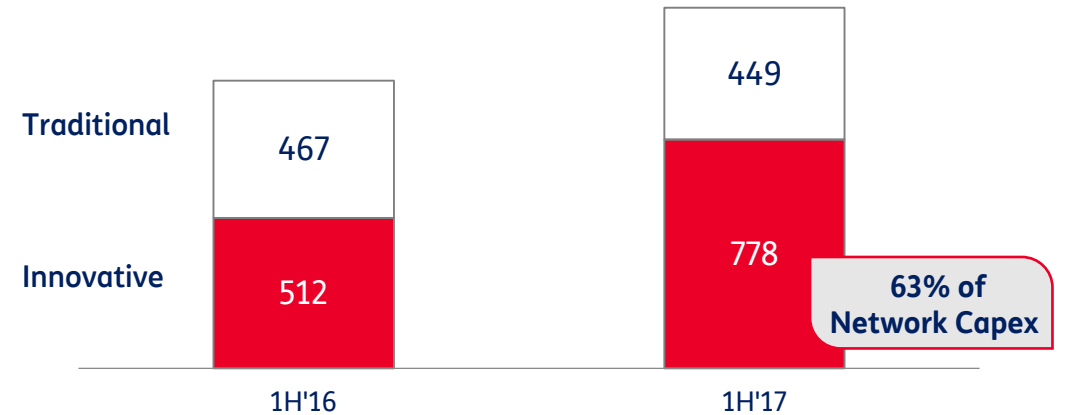
## Total Domestic Capex



## Other Capex



## Network Capex

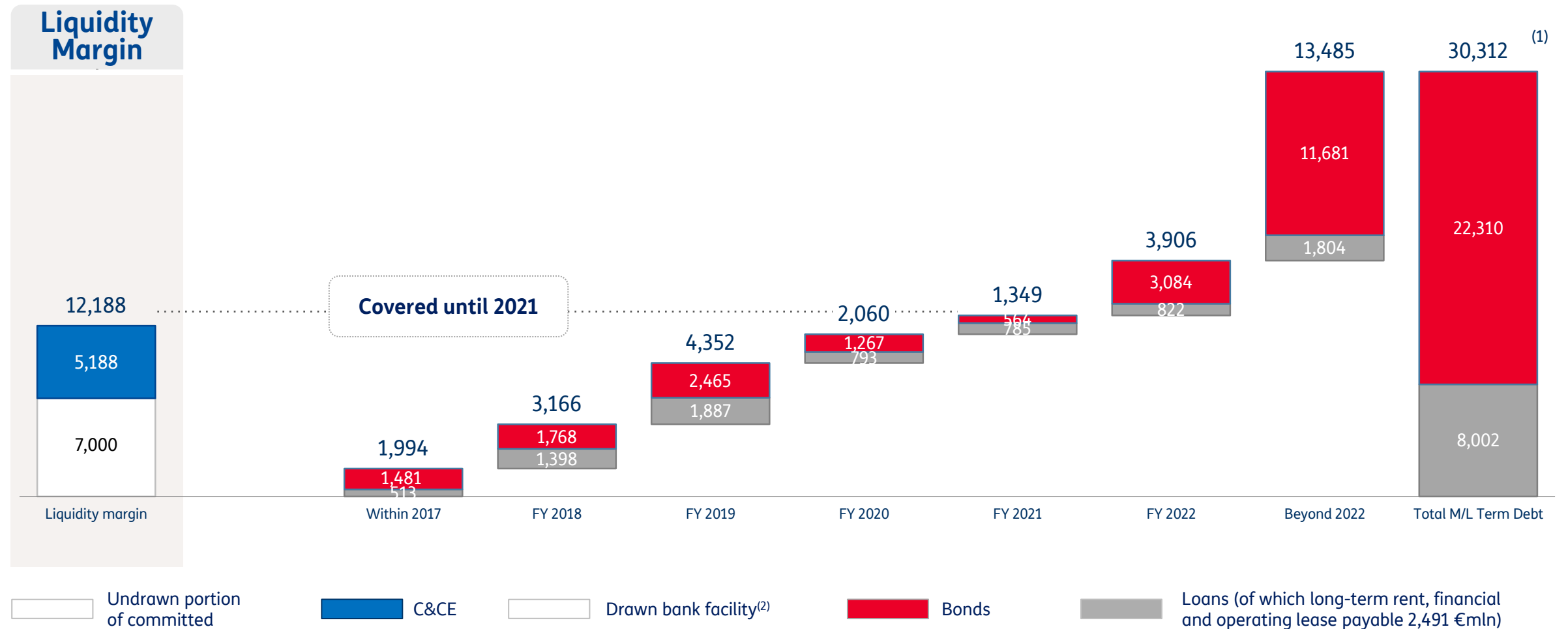


## Domestic Capex Highlights

- The YoY Domestic Capex performance driven by:
  - **Further acceleration in innovative network Capex**, for NGN and LTE development
  - **Sound reduction in non-core Capex**, such as Real Estate

# Maturities and Liquidity Margin

€mln



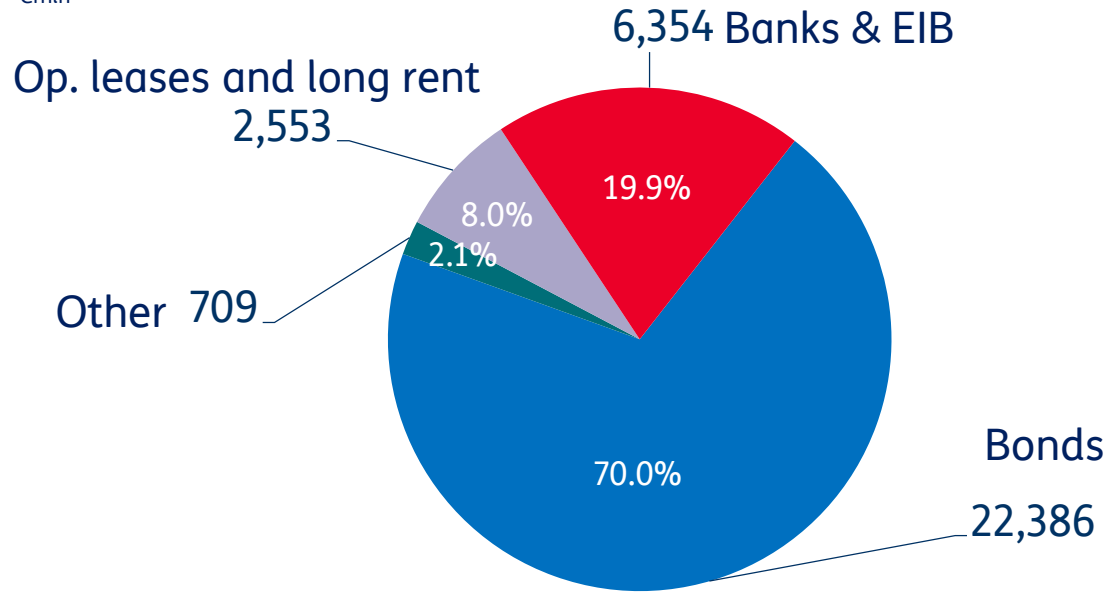
(1) 30,312€mln is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (919€mln) and current financial liabilities (771 €mln), the gross debt figure of 32,002€mln is reached.

(2) Committed Bank lines are undrawn



# Well Diversified and Hedged Debt

€mln



**Gross debt 32,002**

Financial Assets	(6,898)
of which C&CE and marketable securities	(5,188)
- C & CE	(4,086)
- Marketable securities	(1,102)
- Government Securities	(613)
- Other	(489)

**Net financial position 25,104**

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 1,729 €mln (of which 223 €mln on bonds)  
 - the impact on Financial Assets is equal to 1,105 €mln.  
 Therefore, the Net Financial Indebtedness is adjusted by 624 €mln.

N.B. The difference between total financial assets (6,898 €mln) and C&CE and marketable securities (5,188€mln) is equal to 1,710 €mln and refers to positive MTM derivatives (accrued interests and exchange rate) for 1,099 €mln, financial receivables for lease for 147 €mln, deposits beyond 3 months for 250 €mln and other credits for 214 €mln.

## Maturities and Risk Management

**Average m/l term maturity:**  
7.71 years (bond only 7.98 years)

**Fixed rate portion** on gross debt approximately **70.6%**

Around **37% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and fully hedged

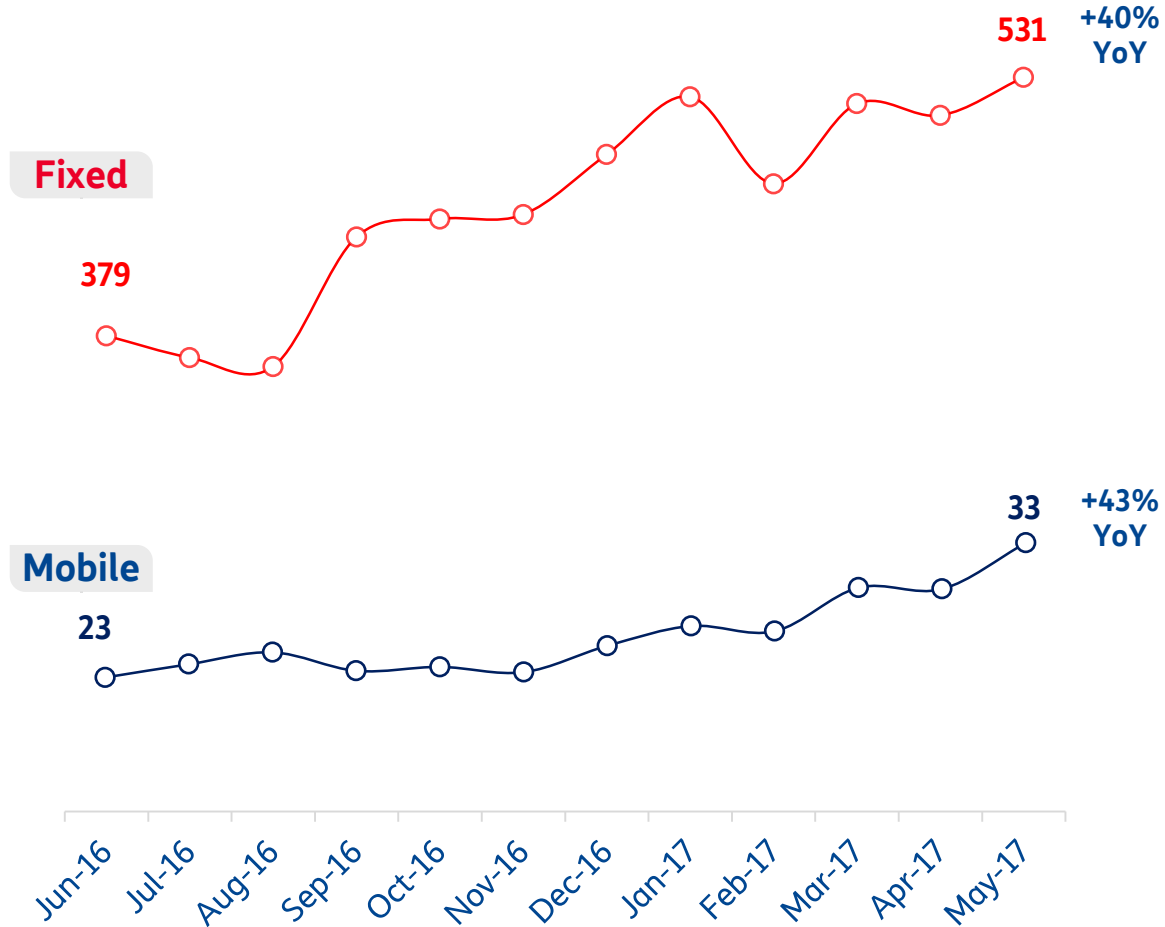


**Cost of debt: ~5.0 %**

# Video drives Data Traffic Growth

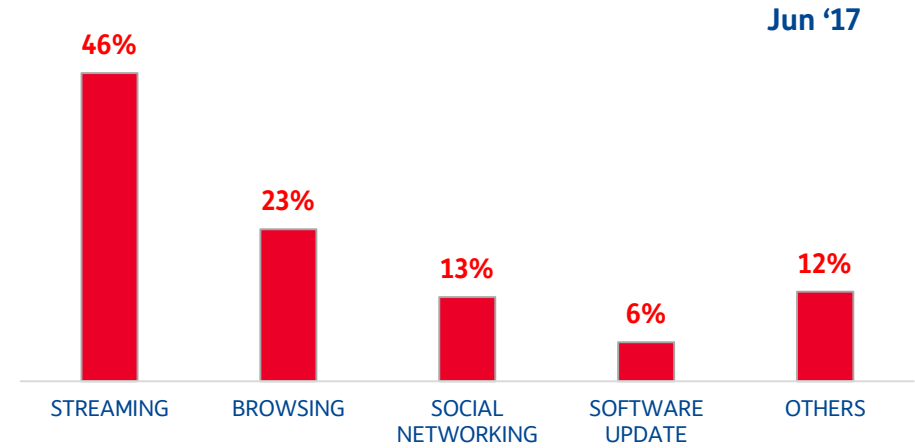
## Monthly Volume Consumption on TIM Network

Petabyte

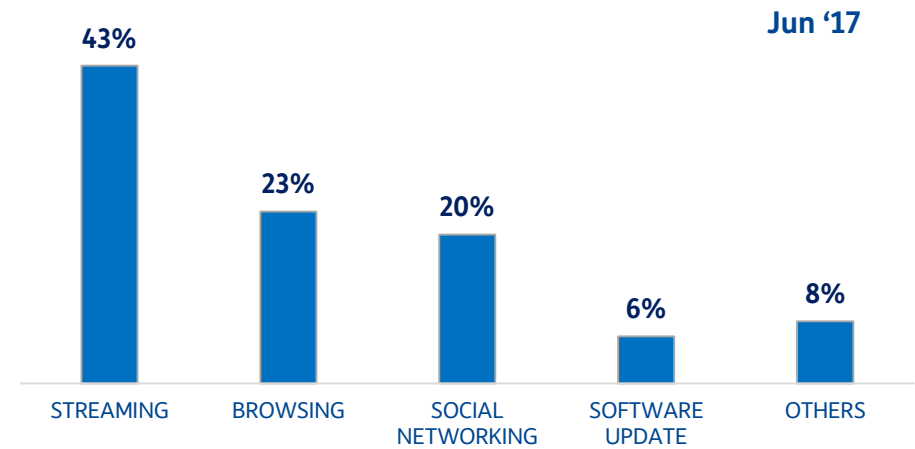


## Weekly Data traffic Consumption

Fixed

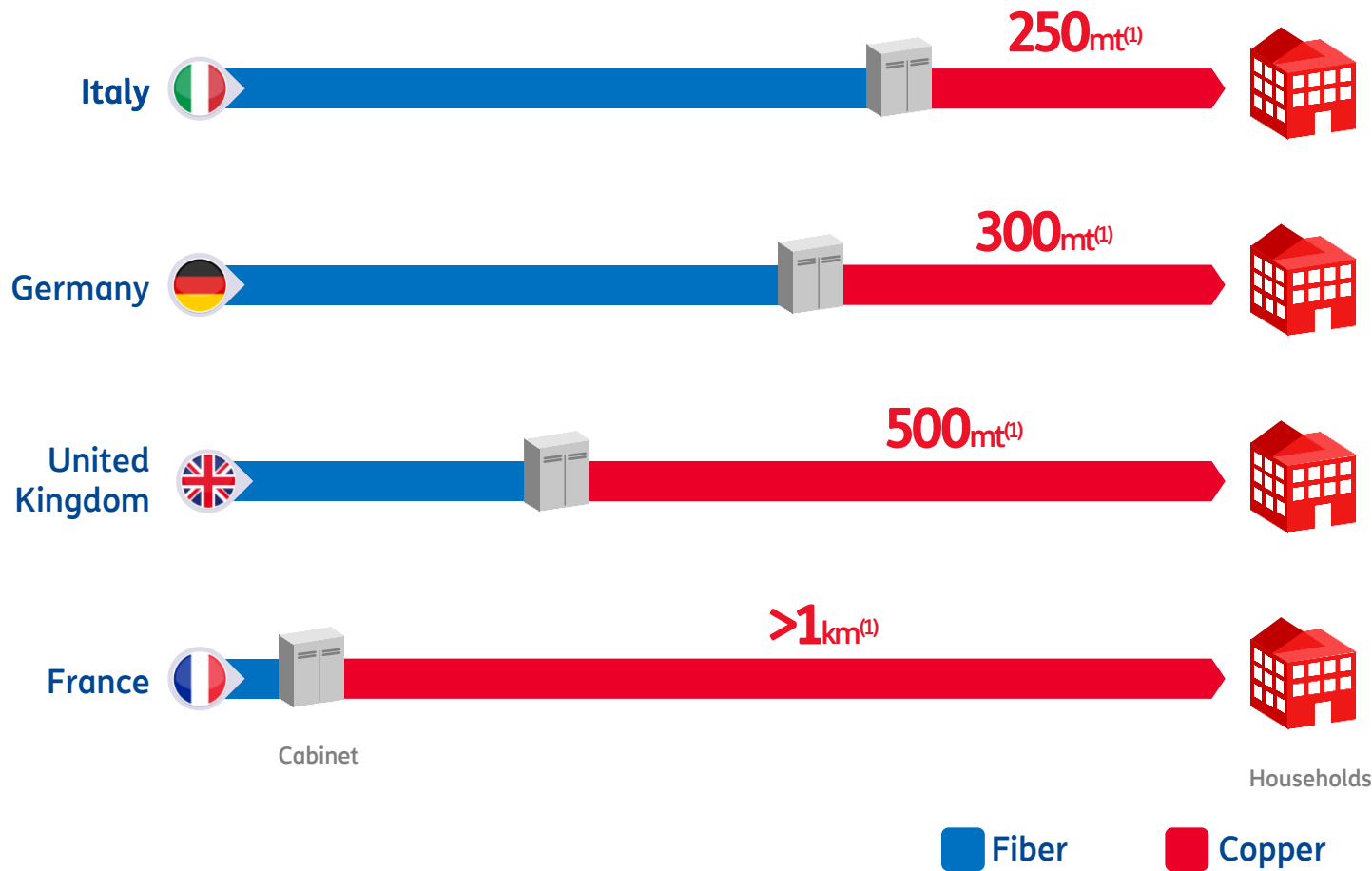


Mobile



# Domestic Fiber and LTE Coverage Trend

Italy has the shortest distance between the household and the cabinet



**Download Speed on copper wire <250 mt**

VDSL	→	50-100 Mb/s
VDSL + VECTORING	→	100-150 Mb/s
E-VDSL + VECTORING	→	300 Mb/s
G.FAST (distance 50-150m)	→	500-1000 Mb/s

For further questions please contact the IR Team

## Investor Relations Contact Details



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