

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.

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



A Record Year for The Group

Organic data⁽¹⁾, figures in €mln, % YoY



Full Year 2017

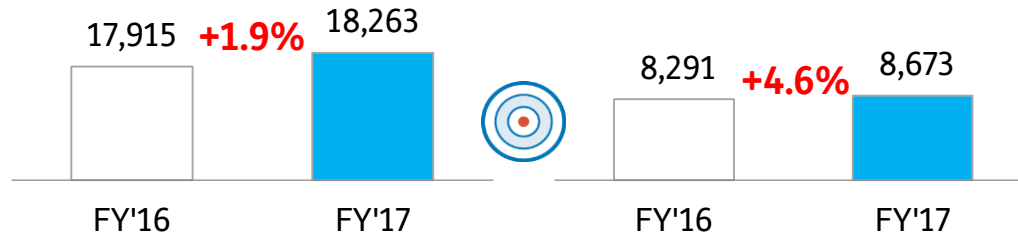


Fourth Quarter 2017

Group

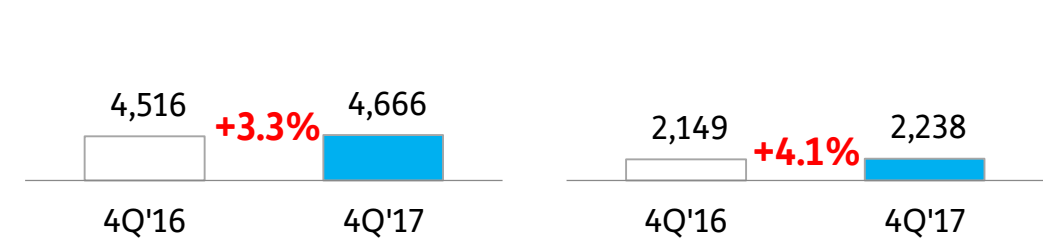
Service Revenues

EBITDA



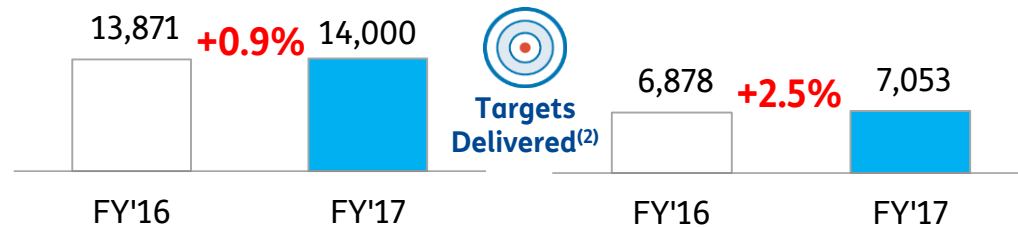
Service Revenues

EBITDA



Domestic

13,871 +0.9% 14,000



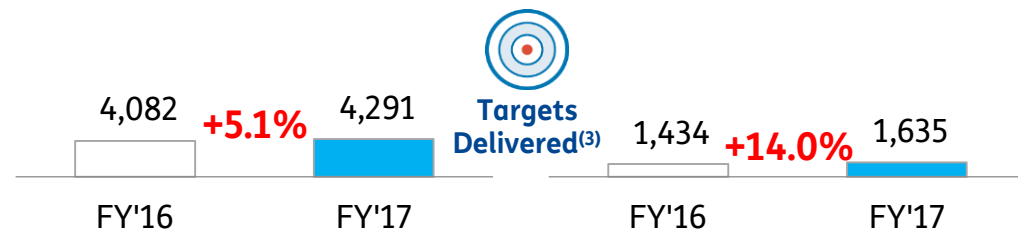
3,524 +2.4% 3,607

1,744 +1.9% 1,777



Brazil

4,082 +5.1% 4,291



1,004 +6.1% 1,065

409 +13.6% 465



Net Debt

€ 25.3 bln⁽⁴⁾ Down by €920mln QoQ

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



(1) Including exchange rate impact and non recurring items
 (2) Targets: Service Revenues stability & EBITDA YoY low single digit growth

(3) Targets: Service Revenues & EBITDA positive in all quarters
 (4) Adjusted

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

€mln, %YoY, Organic Performance⁽¹⁾

TIM Group

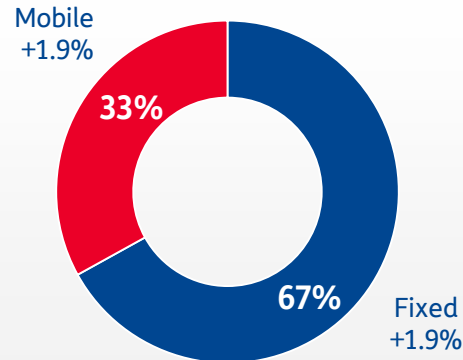
Domestic

Brazil

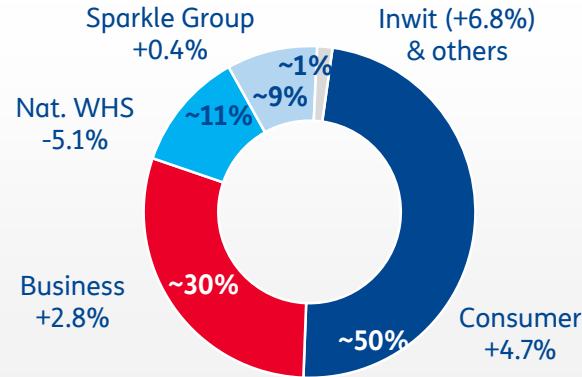
FY'17

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

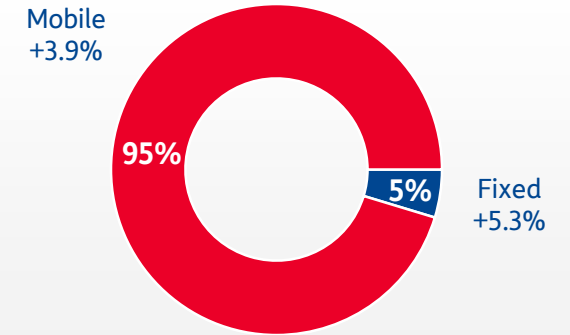
By Technology



By Business Segment

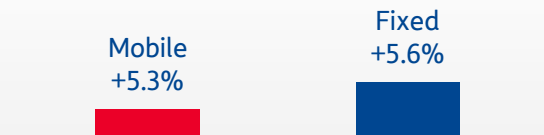
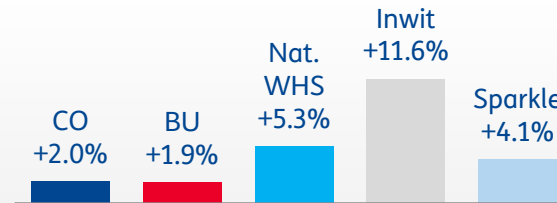
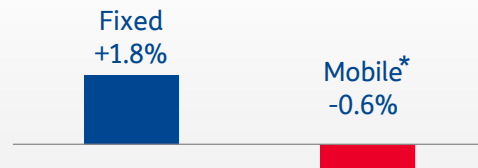


By Technology



4Q'17

Total Revs.⁽²⁾
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

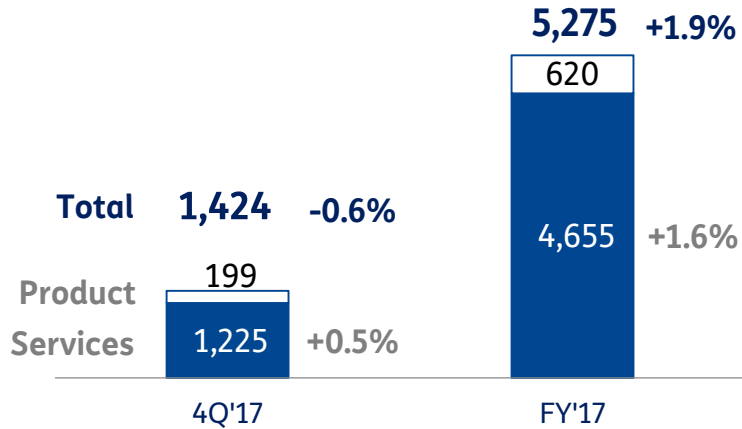


(1) Excluding exchange rate impact and non recurring items
 (2) Net of Eliminations

Domestic Mobile: Leading in Quality and Results

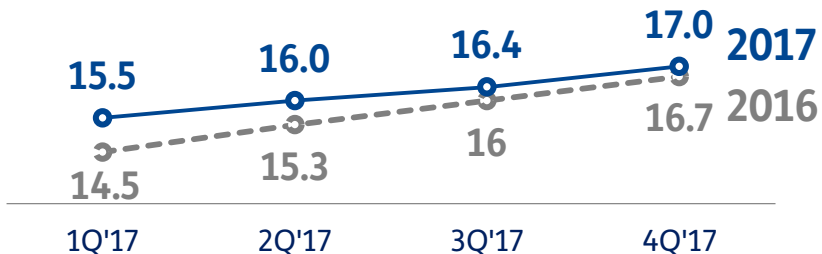
Revenues & ARPU

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



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

ARPU Human⁽¹⁾



Customer Base

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

Category	FY'16	YoY %	FY'17	4Q'17 Net Adds/Losses
TOT. CB	29,617	+3.8%	30,755	+470, +1.6%
TOT. ACTIVE	25,651	+5.2%	26,992	+405, +1.5%
NOT HUMAN ⁽²⁾	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)

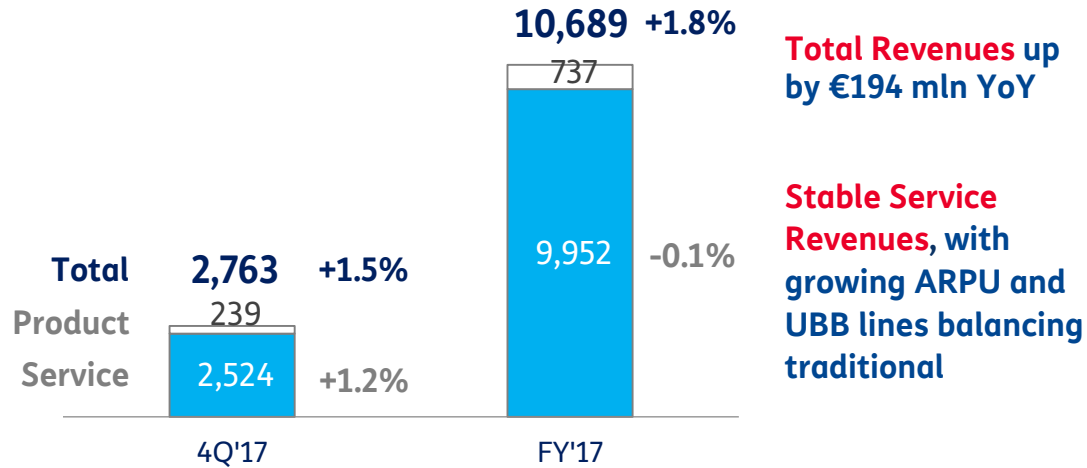
Active customer penetration increase: 1,342 k more calling lines,

LTE users scaling up sharply

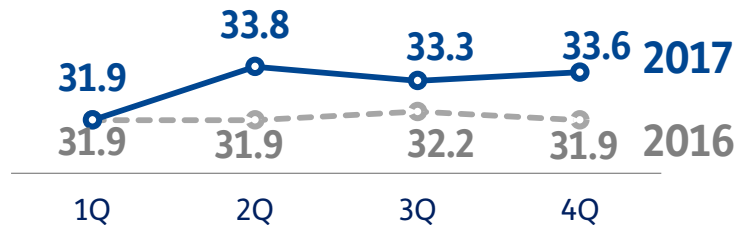
Domestic Fixed: UBB Setting the Pace, TIM Vision growing fast

Revenues & ARPU

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

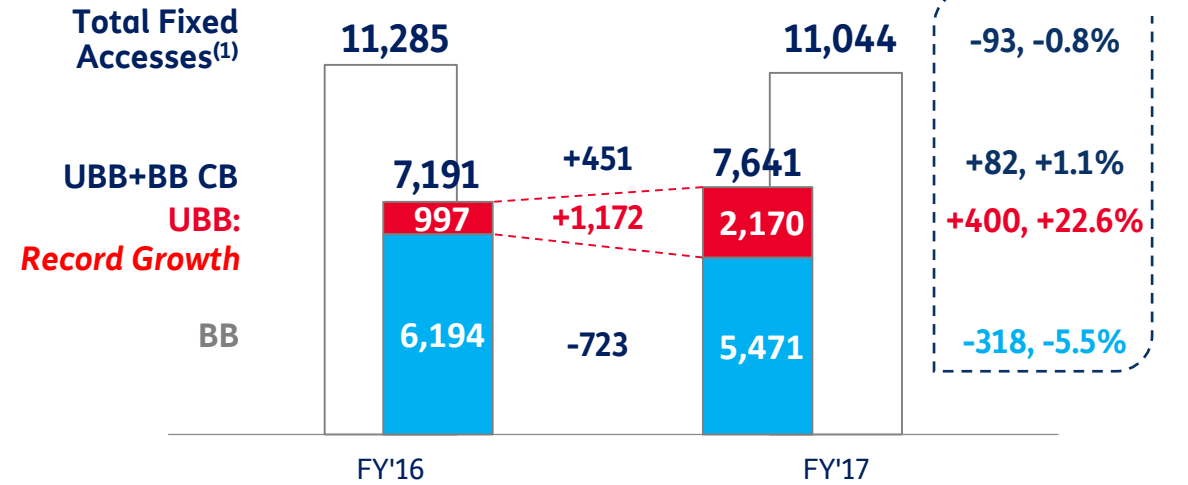


Fixed ARPU Consumer

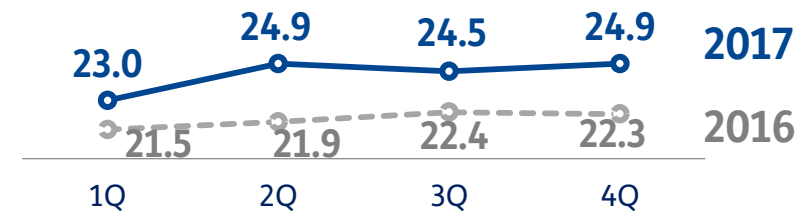


Fixed Accesses & Customer Base

k, % YoY, 4Q'17 %QoQ



BroadBand ARPU⁽²⁾

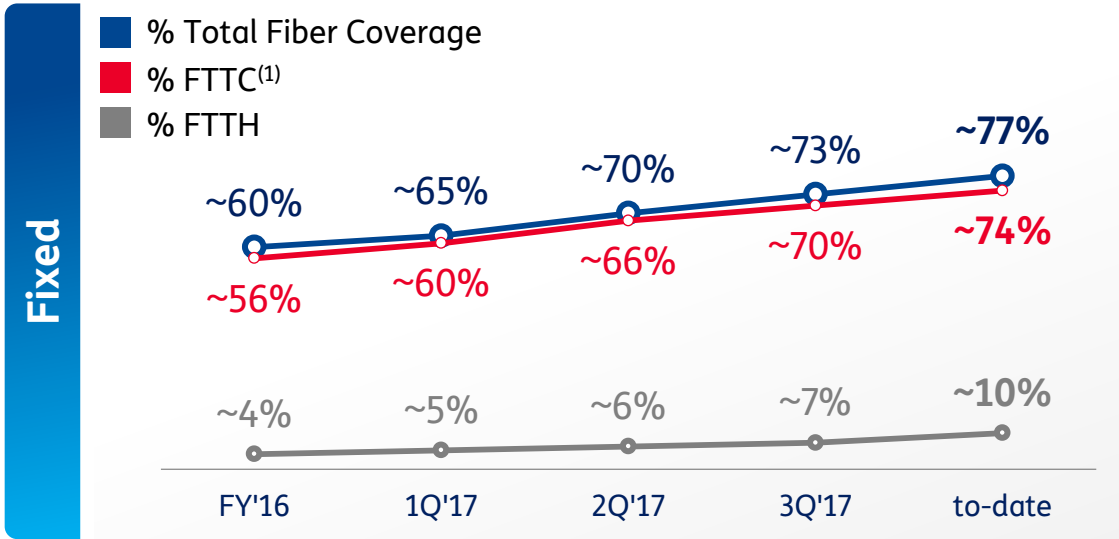


1.3m TIM Vision customers⁽³⁾, +63%
22% of Consumer BB CB, +7p.p.



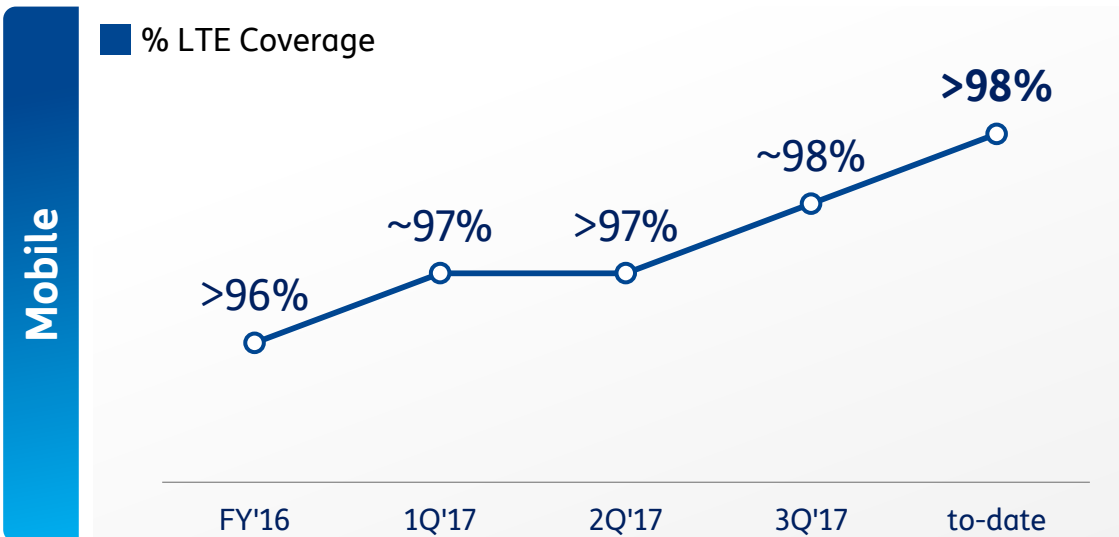
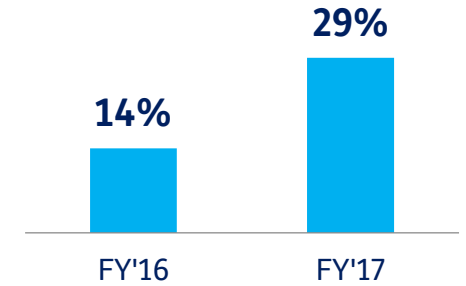
~20% of Consumer BB CB is single-bill F/M Convergent, another ~28% has also a TIM Mobile Line while paying 2 bills

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



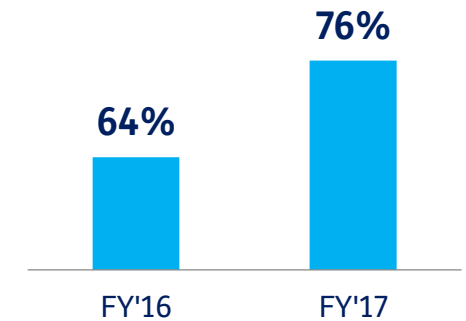
- **111 k cabinets passed**
- **281 k FTTH OTB installed**
- **18.7 mln HH passed FTTC** in ~ **3,600 cities**
speed up to 200 Mbit/s
- **2.3 mln HH connected FTTH** in **30 main cities**
speed up to 1Gbit/s

FTTx Penetration⁽²⁾



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

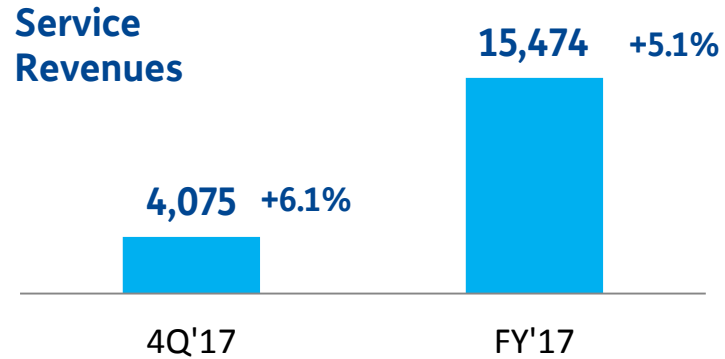
4G Penetration⁽³⁾



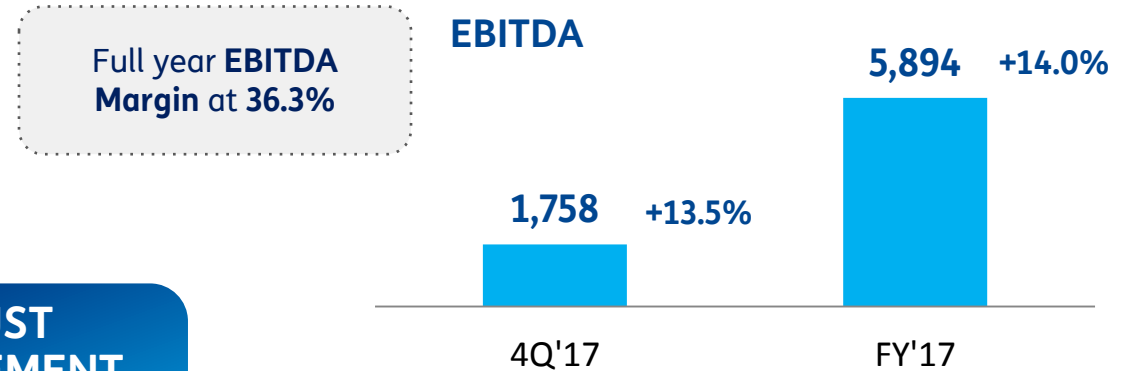
TIM Brasil: Turnaround marked by Strong Results

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

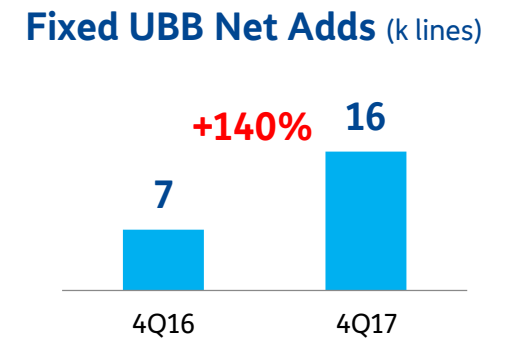
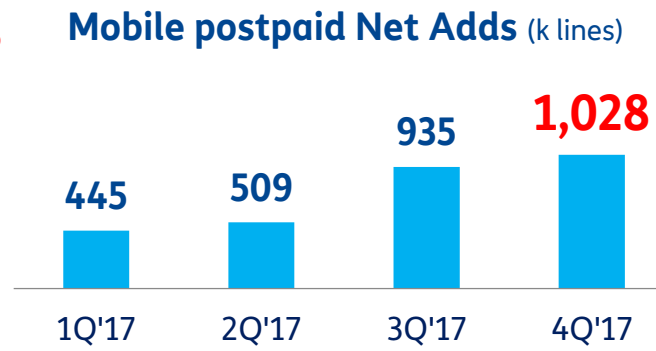
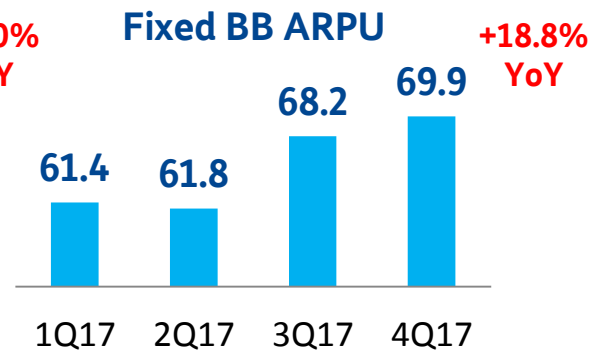
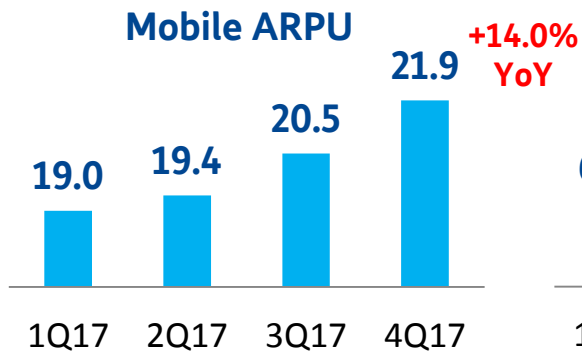
Delivering Growth



Record Ebitda Margin



**ROBUST
IMPROVEMENT
IN REVENUE
QUALITY**



FY17 ARPU +12.2% YoY

FY17 BB ARPU +14.9% YoY

Seventh consecutive quarterly growth

FY17 Ultra BB Net Adds 86k lines

Domestic Opex Efficiencies

2017 Domestic OPEX

Organic data, €mln

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

4Q'17
Volume Driven
1,128
+9.7%

EFFICIENCY AREA

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

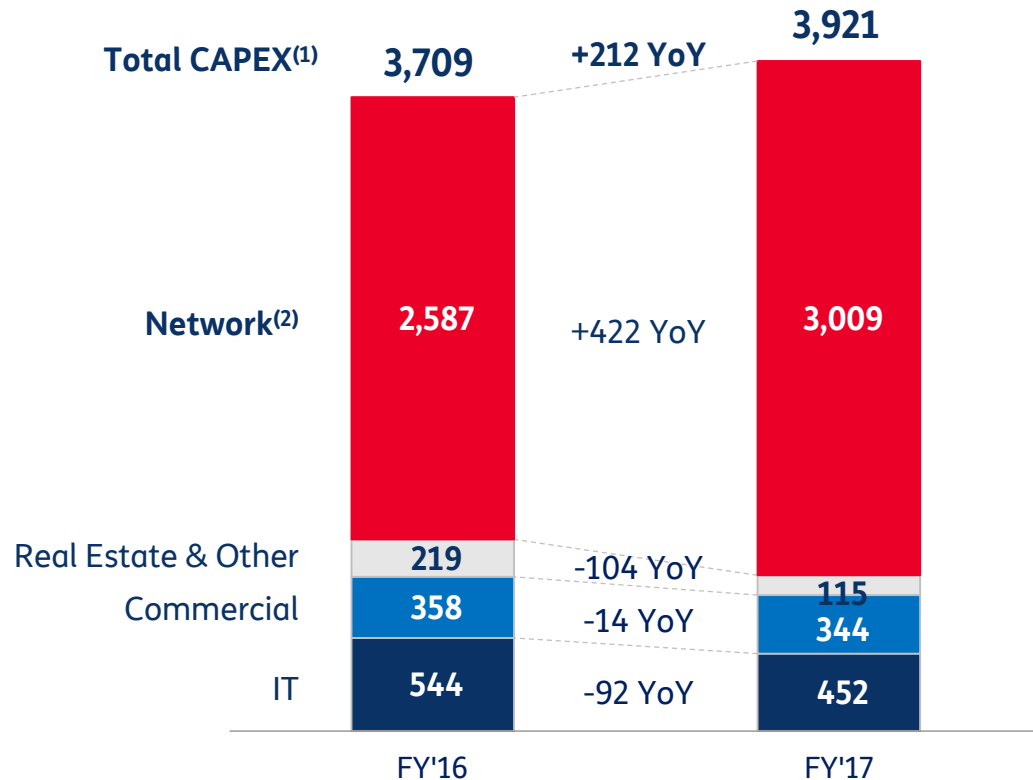
- *Rental & Power (43%)*
- *G&A incl. IT (34%)*
- *Network Operations (23%)*

- **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

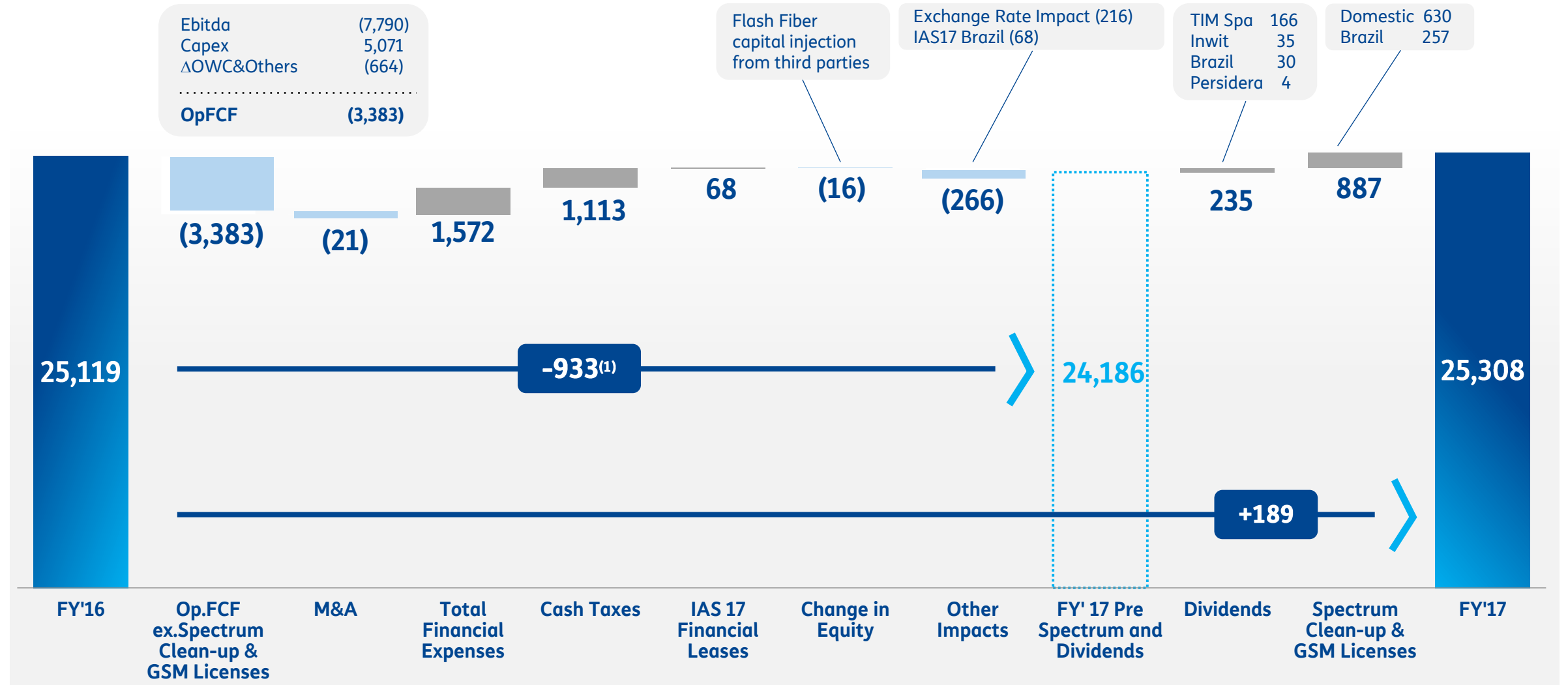


Domestic Capex evolution composed by:

- **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	4Q 2017	4Q 2016	YoY
Adjusted EBITDA ⁽¹⁾	8,673	8,199	474	2,460	2,168	292
CAPEX (ex-Spectrum)	-5,071	-4,876	-195	-1,820	-1,769	-51
Adjusted ΔWC ⁽²⁾	-219	-467	248	858	549	309
OpFCF (ex-Spectrum)	3,383	2,856	527	1,498	948	550
Total Financial Expenses ⁽⁴⁾	-1,572	-1,659	87	-413	-386	-27
Cash taxes	-1,113	-218	-895 ⁽⁵⁾	-309	-101	-208
Other impacts ⁽⁶⁾	266	-371	636	186	-107	293
EFCF ⁽⁷⁾	964	608	356	963	354	609
Dividends	-235	-227	-8	-17	0	-17
Change in Equity	16	1,304 ⁽⁸⁾	-1,288	0	1,304 ⁽⁸⁾	-1,304
Net Cash Flow before M&A, Spectrum & IAS 17	744	1,685	-940	946	1,658	-712
M&A	21	692 ⁽³⁾	-671	-4	4	-8
Spectrum ⁽⁹⁾	-887	0	-887	0	0	0
IAS 17 ⁽¹⁰⁾	-68	-218	150	-22	-47	24
Net Cash Flow	-189	2,159	-2,348	920	1,615	-696
Opening Net Debt	25,119	27,278		26,228	26,735	
Closing net Debt	25,308	25,119		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⁽¹⁾

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



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

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

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

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

Leadership positioning

Cash-flow generation

Agile organization



Consumer: Pursue Premium and Value, transforming Customer Experience

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

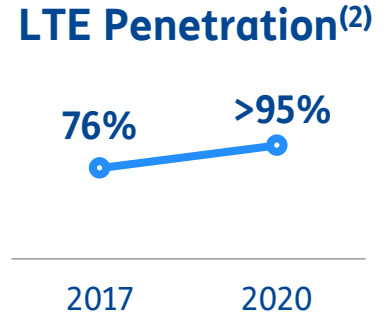
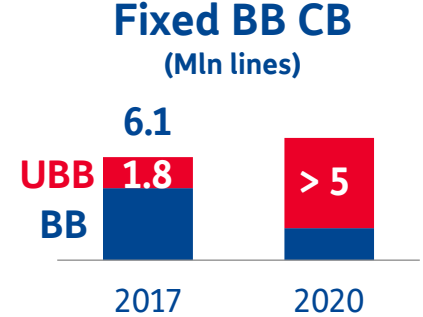
Maintain #1 position for Best quality Network in Italy ⁽¹⁾

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

Leadership positioning



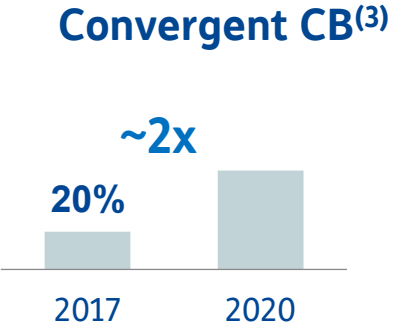
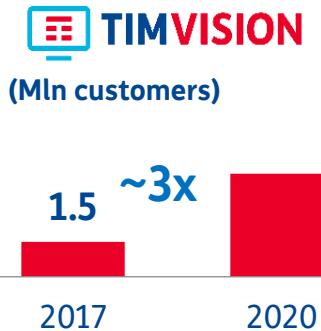
- Increased FMC convergence through additional content and mobile data benefits
- Accelerated fiber migration to improve customer engagement and reduce churn
- 2nd brand Kena to address non-premium segments and sustain TIM value
- TIM acquisition focused on segmented approach
- Enhanced customer base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



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



(1) TIM #1 in OOKLA SpeedTest
(2) Mobile BB CB
(3) Single-bill F/M Convergent CB

Business: Accelerate Evolution, Sustain Traditional

Strategic actions

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

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

Cash-flow
generation

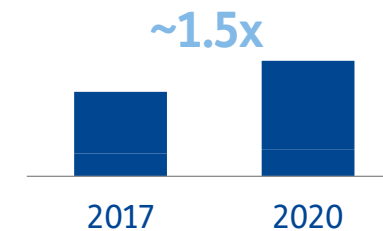
- Adoption of **lean digital business model**
- **Contract management, ordering and provisioning digitalization**
- **Optimization of service delivery and caring costs**

Impact by 2020

-15% Order-to-delivery time

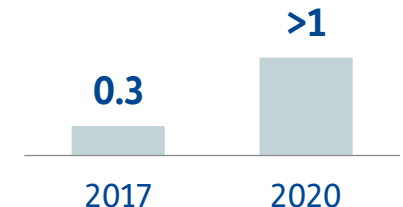
+5p.p. CSI for Medium & Large in 2020

IT & Cloud Revenues (Mln €)



Grow ICT & Cloud to
become 25% of total
revenues

Fiber CB (Mln lines)



-10% Customer care call volumes

Wholesale: Back to Growth

Strategic actions

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

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**

Cash-flow
generation

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

Impact by 2020

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

Strengthening of Equality of
Access for all operators

UltraBroadBand

(Mln lines)



+20% Field force productivity

TIM Brasil: More Postpaid and Broadband for continued positive Results

Strategic actions

Impact by 2020

Best in class customer engagement



- Continued expansion of the best fixed and mobile infrastructure (4G, Fiber) to differentiate experience
- Improve Customer engagement through increased penetration of digital interactions

>4K Cities covered by 4G (96% of Urban Population)

>2X growth of e-bill and e-pay penetration

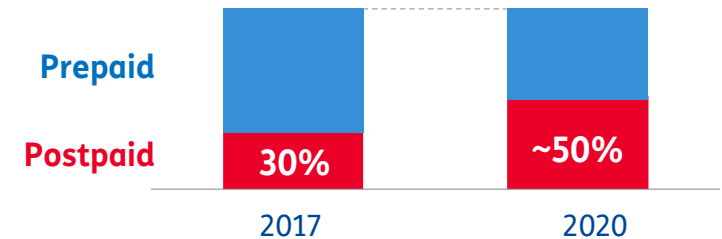
~5X growth in My-TIM App users

Leadership position



- Acceleration of mobile growth targeting more affluent segments (e.g., controle, post-paid)
- Growth of Residential segment contribution to top-line
- Step-change growth in SMB segment leveraging new organization, go-to-market and value proposition
- Development of new, innovative revenue streams (e.g., IoT, mobile adv)

Mobile CB (%)



4X growth of residential BB CB ⁽¹⁾

Cash-flow generation



- Improvement of Cash Generation ability through “smart” CAPEX and Debt/Tax optimization
- Capture full digitalization efficiency potential
- “Zero-based” approach on traditional efficiency levers

≥40% EBITDA margin in 2020

≥20% EBITDA-CAPEX on revenues in 2020

Inwit: Strengthen Tower Leadership Sparkle: Pursue International Expansion and Data Opportunities

5

6

Strategic actions

Impact by 2020

5

INWIT

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**

~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

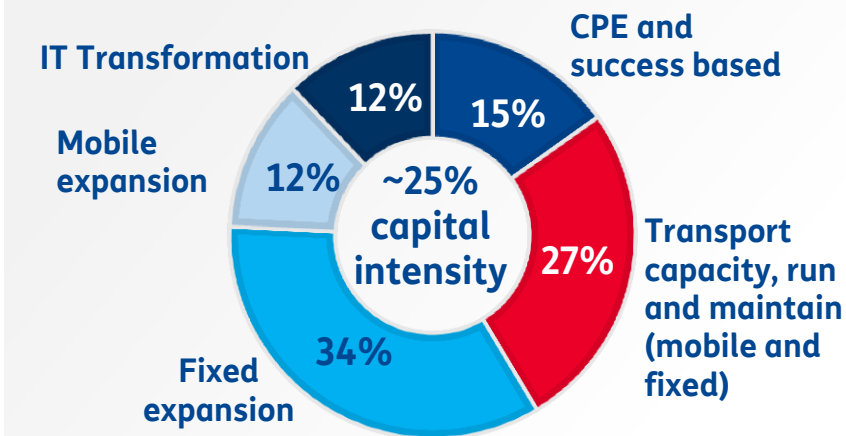
€mln

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

DigiTIM optimized Domestic CAPEX mix

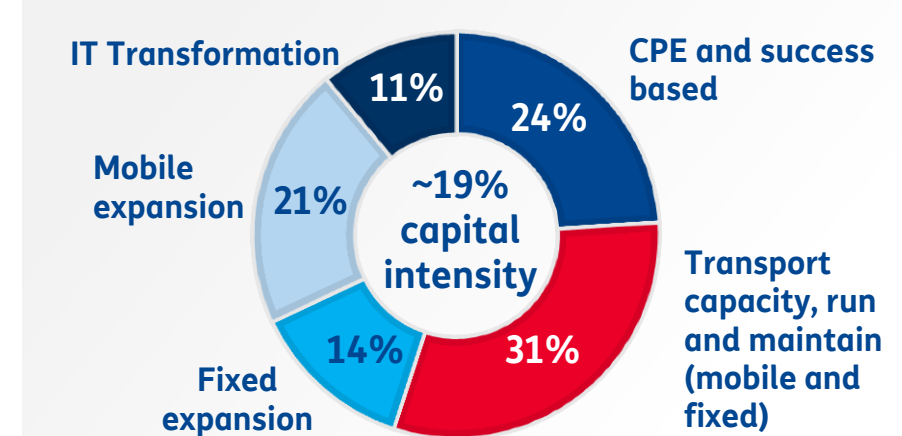
Domestic CAPEX breakdown ⁽¹⁾

2017



2018-2020 €9bn
Cumulated Domestic Capex

2020 ⁽²⁾



Area

Mix vs. 2017

Key initiatives by 2020

CPE and success based

+9 p.p.

- Strong growth on Fiber migration on Consumer and ICT offer on Business

Mobile expansion

+9 p.p.

- Capacity upgrade on 4G
- 4.5G/5G deployment leveraging value driven analytics

Transport capacity, run and maintain

+4 p.p.

- 3x mobile and 7x fixed network capacity increase
- Network-as-a-Service transformation as enabler for OPEX reduction

IT Transformation

-1 p.p.

- New CRM and billing systems completed and released in 2017
- Aggressive application decommissioning

Fixed access

-20 p.p.

- 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

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



Strategic actions

- **Mobile capacity and coverage improvement to enable new revenue streams** (e.g. content usage, 4G indoor VoLTE)
- **“Smart” Ultra Broad Band coverage and capacity upgrade** through smart capex deployment based on Advanced Analytics
- **5G: Move past experimental level into early stage phase**, based on proven use case (2020)
- **Transport backbone upgrade to sustain 5G and video traffic**
- **TIM Video infrastructure (Z-Byte Network) development**
- **Transform toward Network as a Service paradigm**
 - **Decommissioning** toward a full-IP network platform to significantly reduce running costs
 - **Network Virtualization and Automation** to reduce capex investments for capacity upgrade and hardware costs, allowing agile delivery of new digital services (e.g. Internet of Things)
 - **Internal processes digitization** to reduce “time-to-market” of new services

Impact by 2020

- 3x Mobile capacity increase
- ~ 80% Households FTTx coverage (own network)
- 100 Cities FTTH
- 25% Transport costs
- 70% time for feasibility studies
- Central Offices decommissioning begins⁽¹⁾
- 35% Energy and rental costs

(1) Actual decommissioning of ~6,500 central offices out of a total of ~11,000 is subject to 3-5 years of regulatory notice. Project started in 2017.

Digital and Advanced Analytics

9

10

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

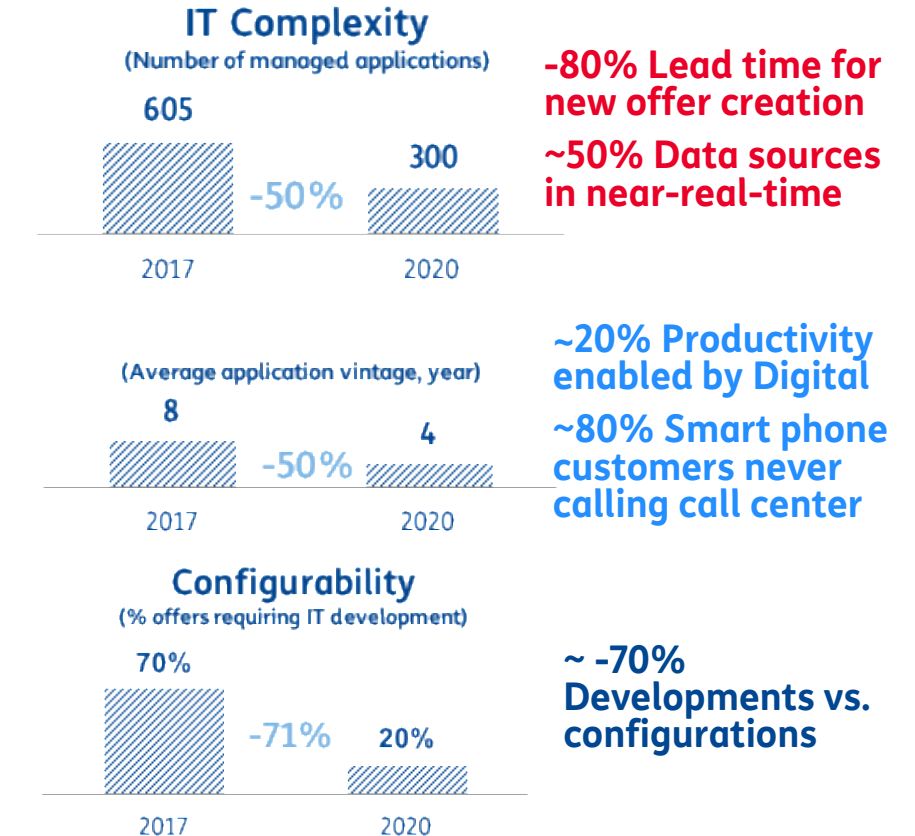
- **Radical middle- and back-office automation and simplification**
- **Digital-first self-caring capabilities**, focus on App and IVR
- **Aggressive IT decommissioning** and simplification plans

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

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

Agile and performance-based organization

Cash-flow generation

New LTI

Impact by 2020

-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

~4,000 exits

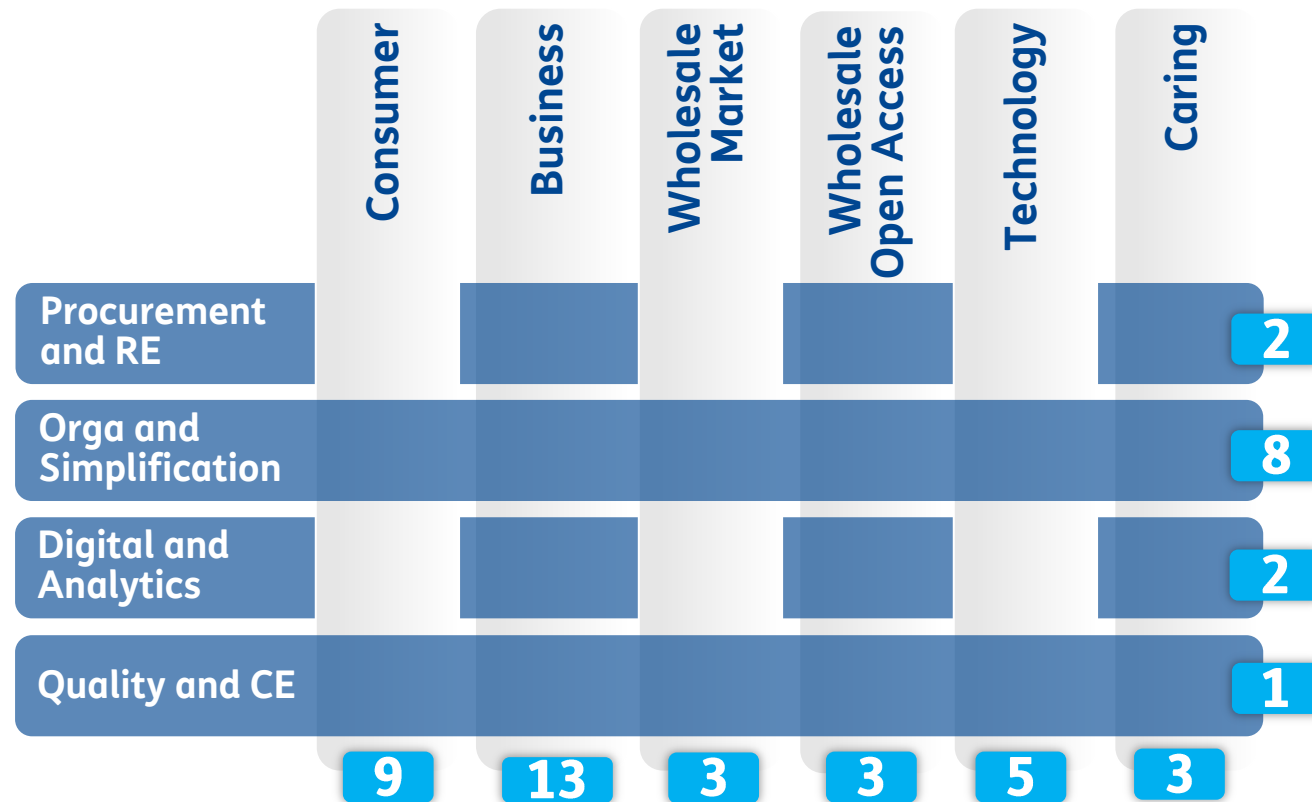
Strong Management engagement

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

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

X Number of themes

Transformation Office

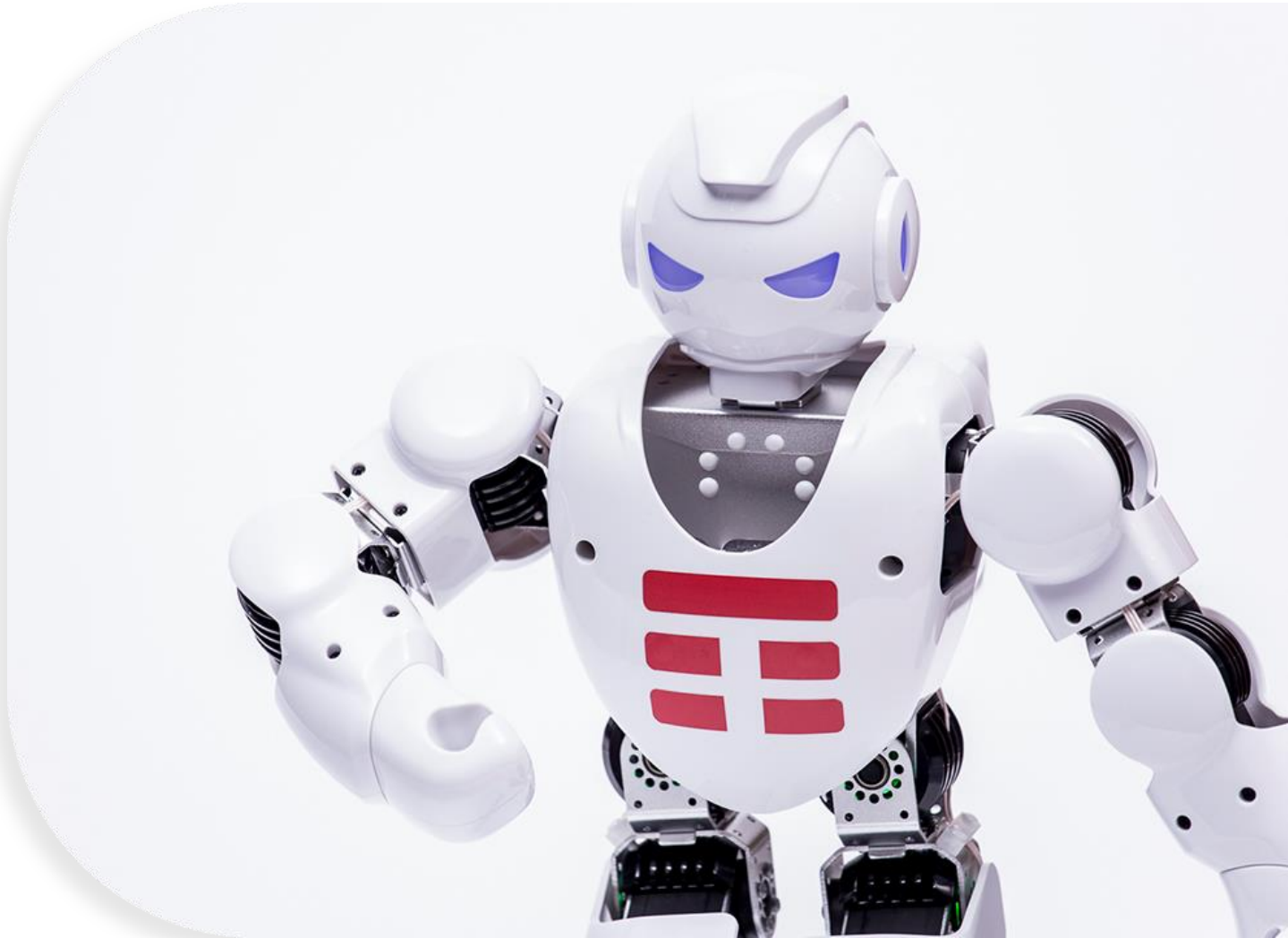


A solid Implementation Machine to drive Transformation

- 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** ⁽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

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

Inwit 2018-'20 Targets

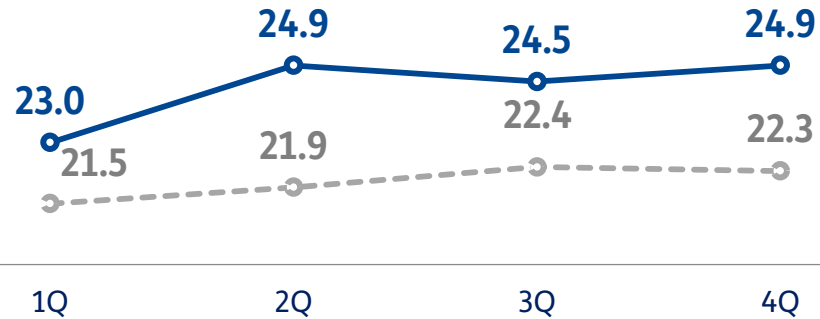
GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
 <p>Maintain leadership</p>	<ul style="list-style-type: none"> Maintain top-of-mind positioning on asset quality Additional tenants on existing towers Lead network densification phase 	<p>Tenancy Ratio:</p> <p>1.9x tenants per site in 2018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

Domestic Fixed and Mobile

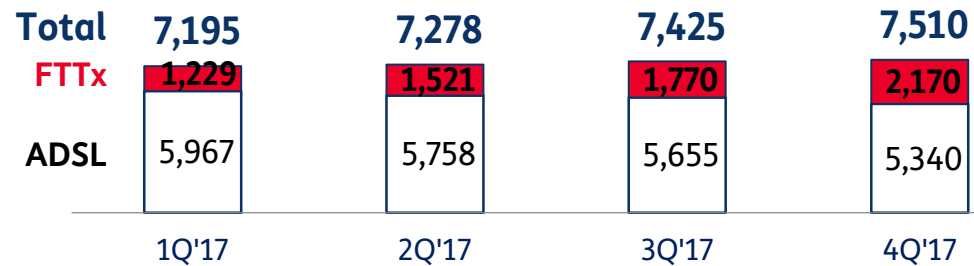
€/month, k lines

Fixed

BroadBand ARPU

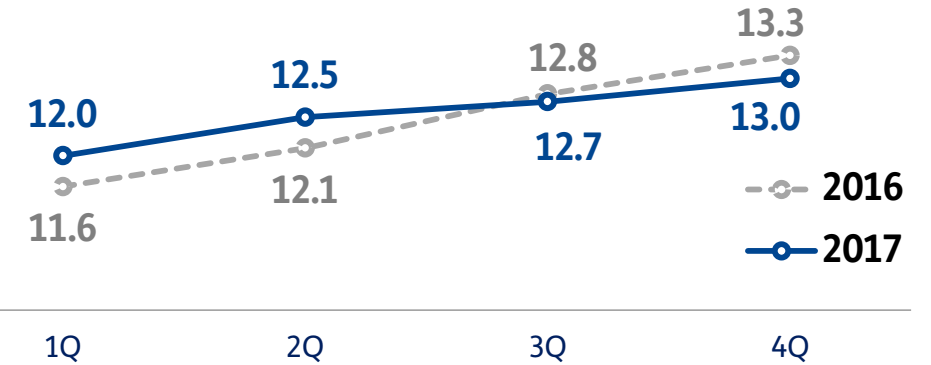


BroadBand Customer Base

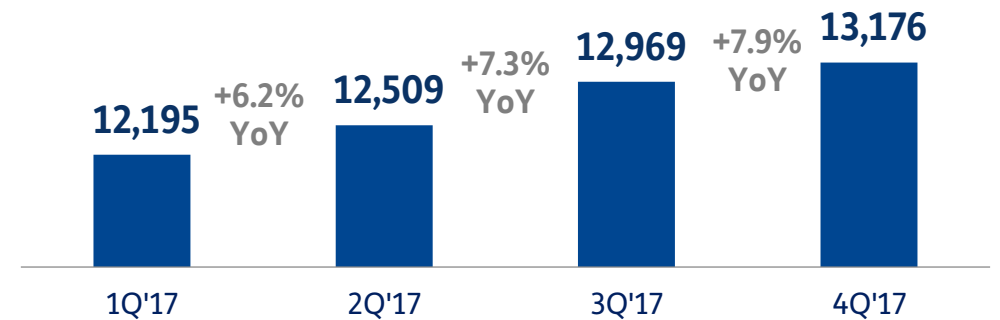


Mobile

Reported ARPU

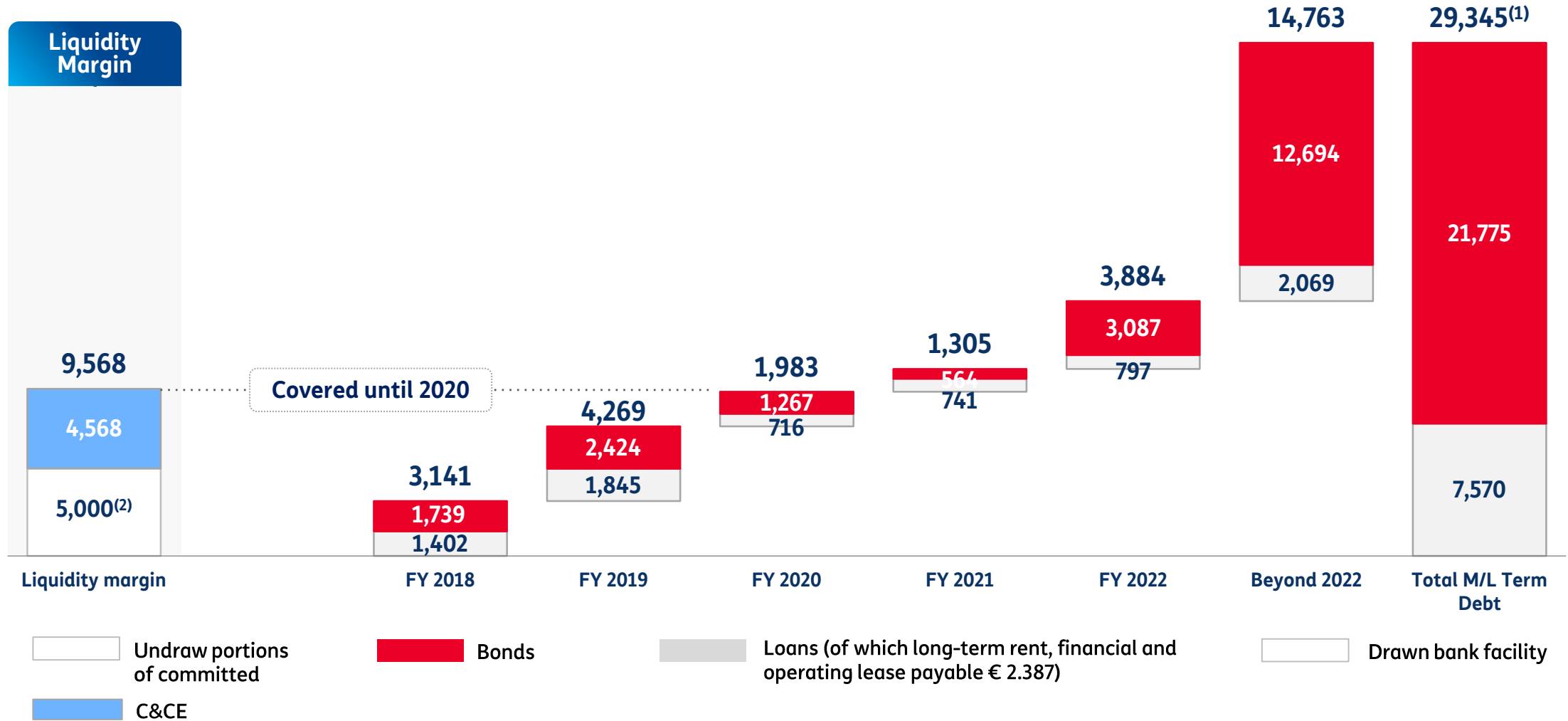


BroadBand Customer Base



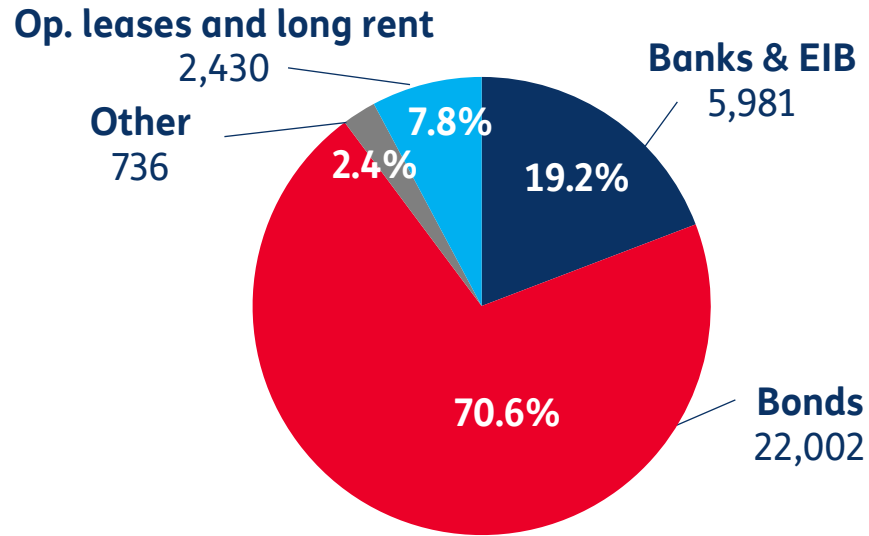
Maturities and Liquidity Margin

€mln



Well Diversified and Hedged Debt

€mln



Gross debt	€	31,149
Financial Assets	€	(5,841)
of which C&CE and marketable securities	€	(4,568)
- 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 %