



**1Q'17 Results**

May 3, 2017

# **1Q'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.

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The financial and operating data have been extracted or derived, with the exception of some data, from the Condensed Consolidated Financial Statements at 31 March 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). Such interim financial statements are unaudited.

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements at 31 March 2017 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2016.

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

# Agenda

## — 1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

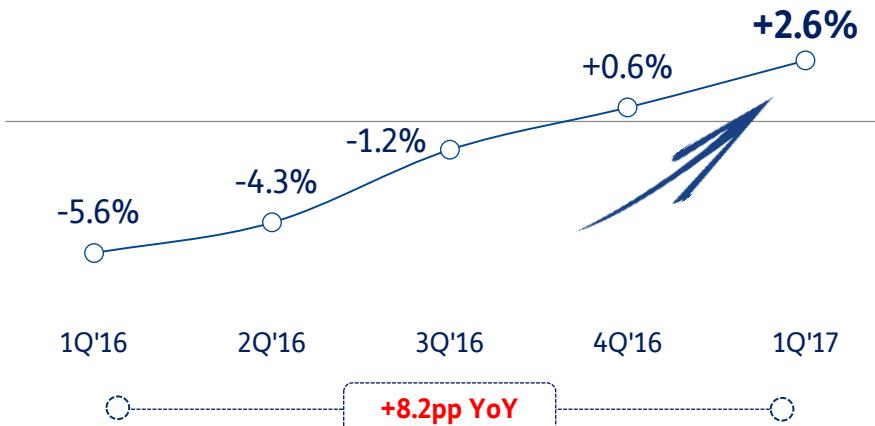
Take-Aways - Flavio Cattaneo

Back-up

# Group 1Q'17 Highlights: The Turnaround Continues

Organic data, YoY Performance

## Total Revenues



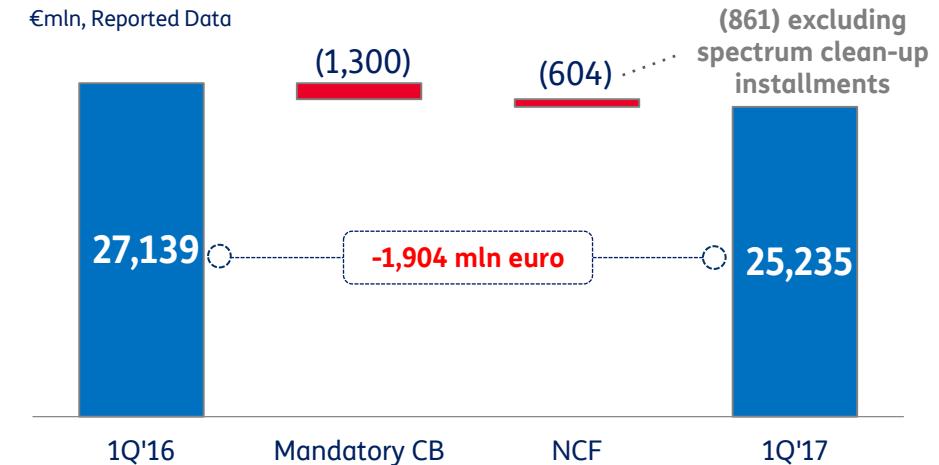
## Service Revenues



## Ebitda



## Adjusted Net Debt



# Domestic & Brazil 1Q'17: We Got Rid of All Negative Signs

Organic data, YoY Performance

Domestic

## Total Revenues



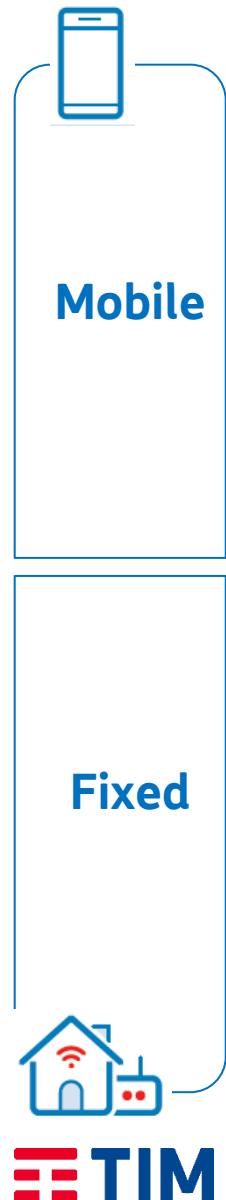
Brazil



## Organic Ebitda



# 1Q'17 Domestic: Transformation Enables Better Results, KPIs and Trends



## 1Q'17

- Steady YoY growth driven by superior technology and renewed commercial approach
- Service revenues performance +2.2% YoY (+3.2% adjusted for 2016 leap year effect)

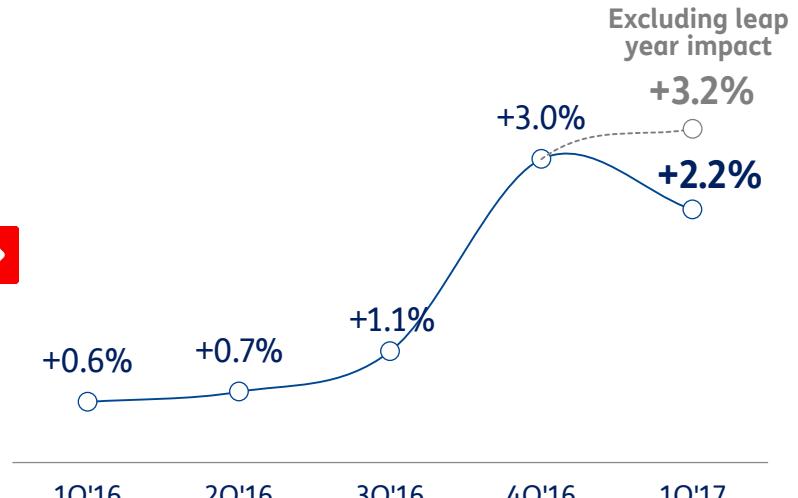


## KPIs

- ARPU up to 12.0€ vs 11.6€ in 1Q'16
- LTE increasing penetration, reaching 68% of MBB
- Best-in-class churn rate, confirmed at 23.6% on FY basis



## Service Revenues Trend



## Fixed

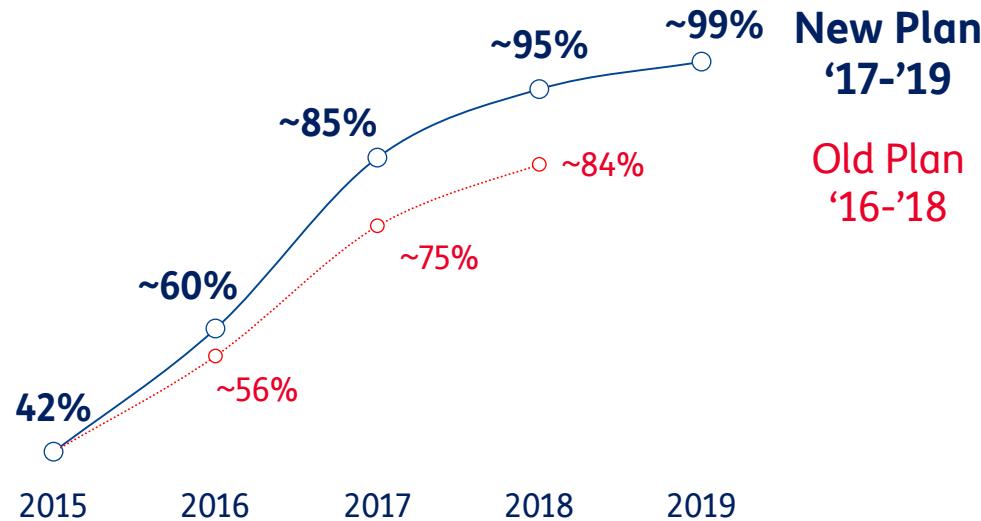
- Drive and deliver convergence
- Total revenues +1.7% YoY supported by:
  - Fast NGN coverage expansion
  - New enabling devices
  - Premium and exclusive content
  - New Stores approach

- Another record-low line losses performance at -55k vs -83k in 4Q'16
- BB Net Adds +120K
- Fiber Net Adds +230k, reaching over 1.2mln Retail NGN customers
- BB ARPU up to € 23 (+7.3% YoY)
- Consumer blended ARPU stable YoY at 32 euro
- Total Fiber Customers now at 1.7mln (Wholesale NGN +128k in 1Q'17)

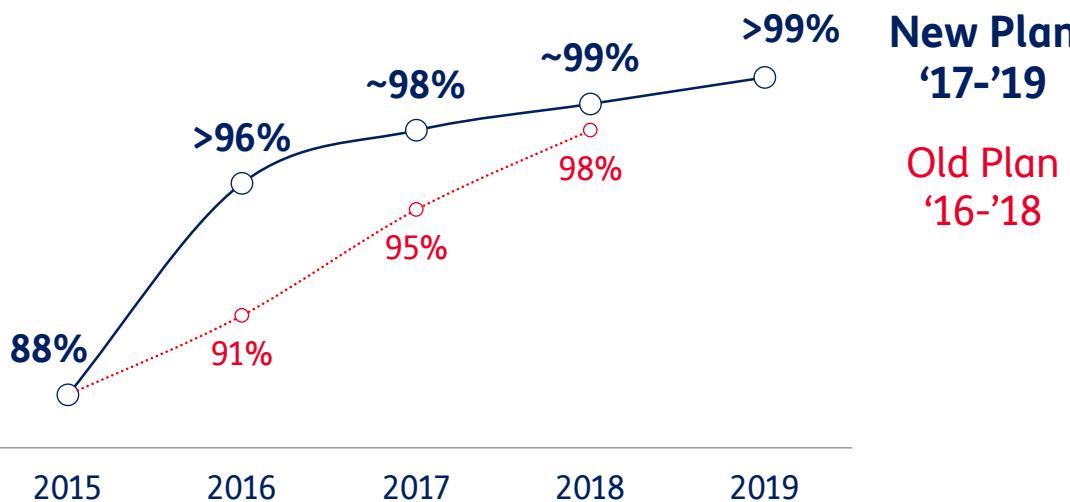


# UBB Networks: Strong Acceleration Towards Full Country Coverage

## Fixed



## Mobile



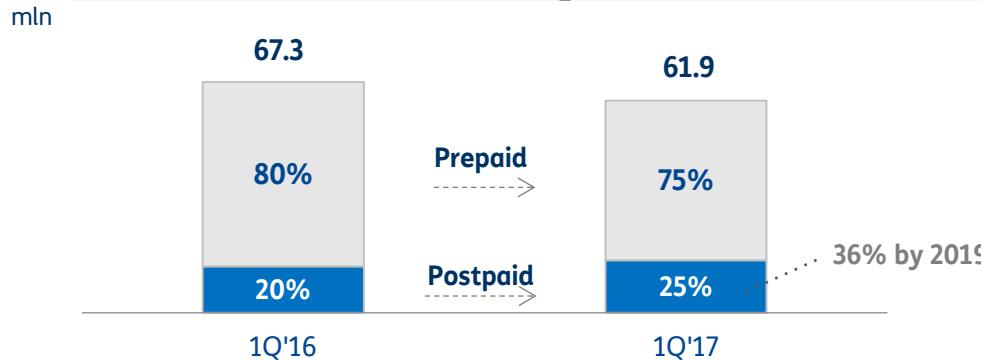
## Current Figures

- ~65% households covered
- ~91k cabinets passed
- ~147k FTTH OTB installed
- 15.4mln HH passed FTTC
- 1.3mln HH connected FTTH

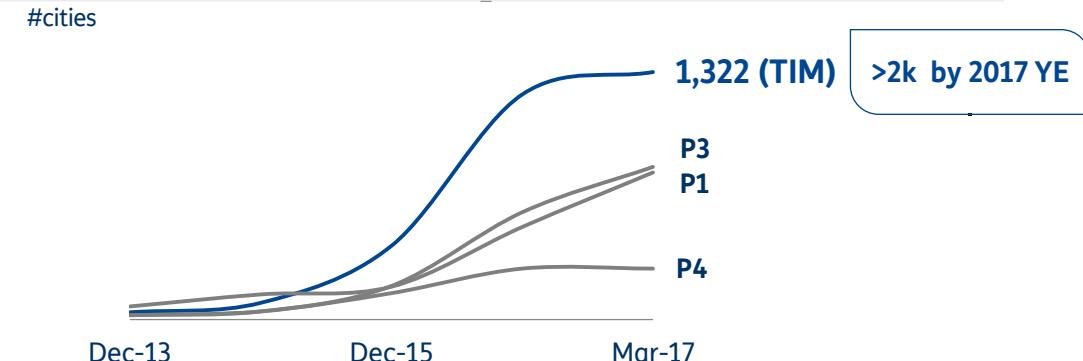
- ~97% LTE outdoor coverage
- ~15,000 LTE nodes
- >7,000 cities covered:
  - 770 cities 4G plus, 4.5G
  - in 70 cities, speed up to 300 Mbit/s
  - in 3 cities, speed up to 500 Mbit/s
- **TIM best performer: download average speed 38.3 Mbit/s**

# TIM Brasil: Operating Results Restore Top Line Growth

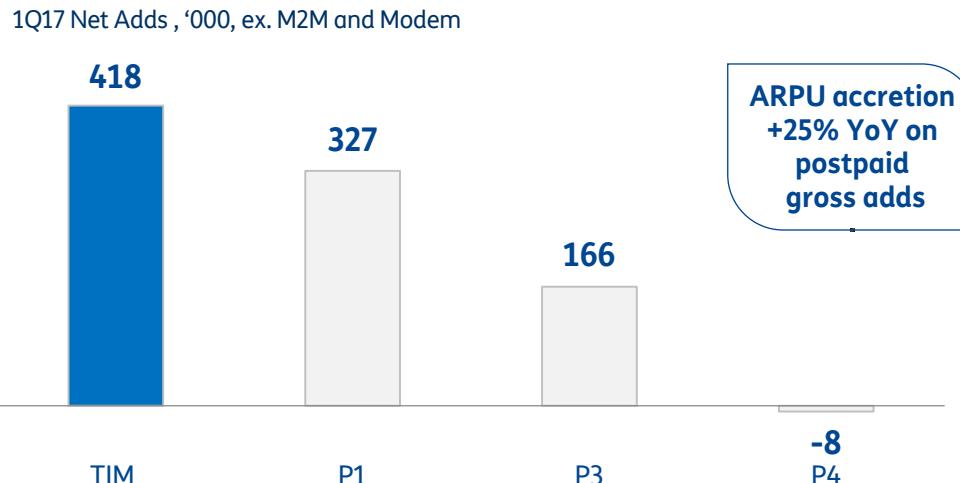
## Customer Mix Repositioning in Progress



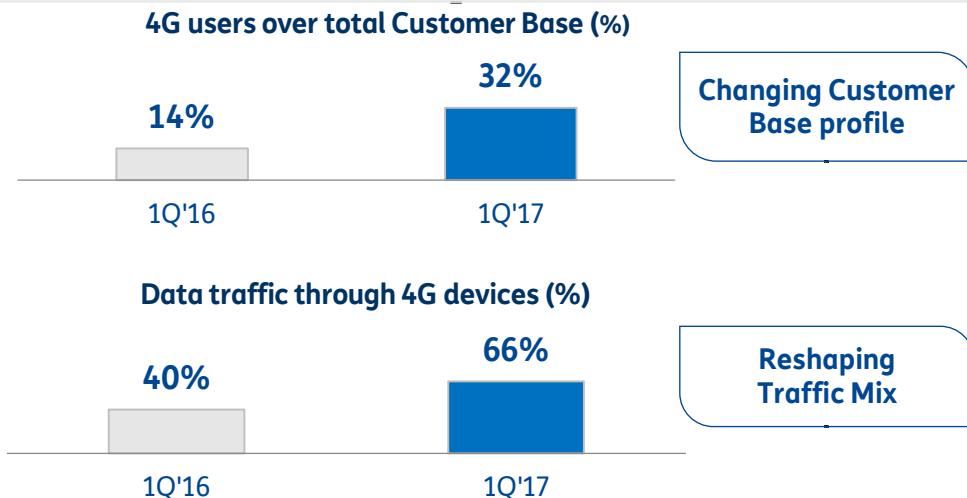
## Leadership on 4G Coverage at 75%



## #1 in Human Postpaid Net Adds



## Increasing 4G Uptake



# Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

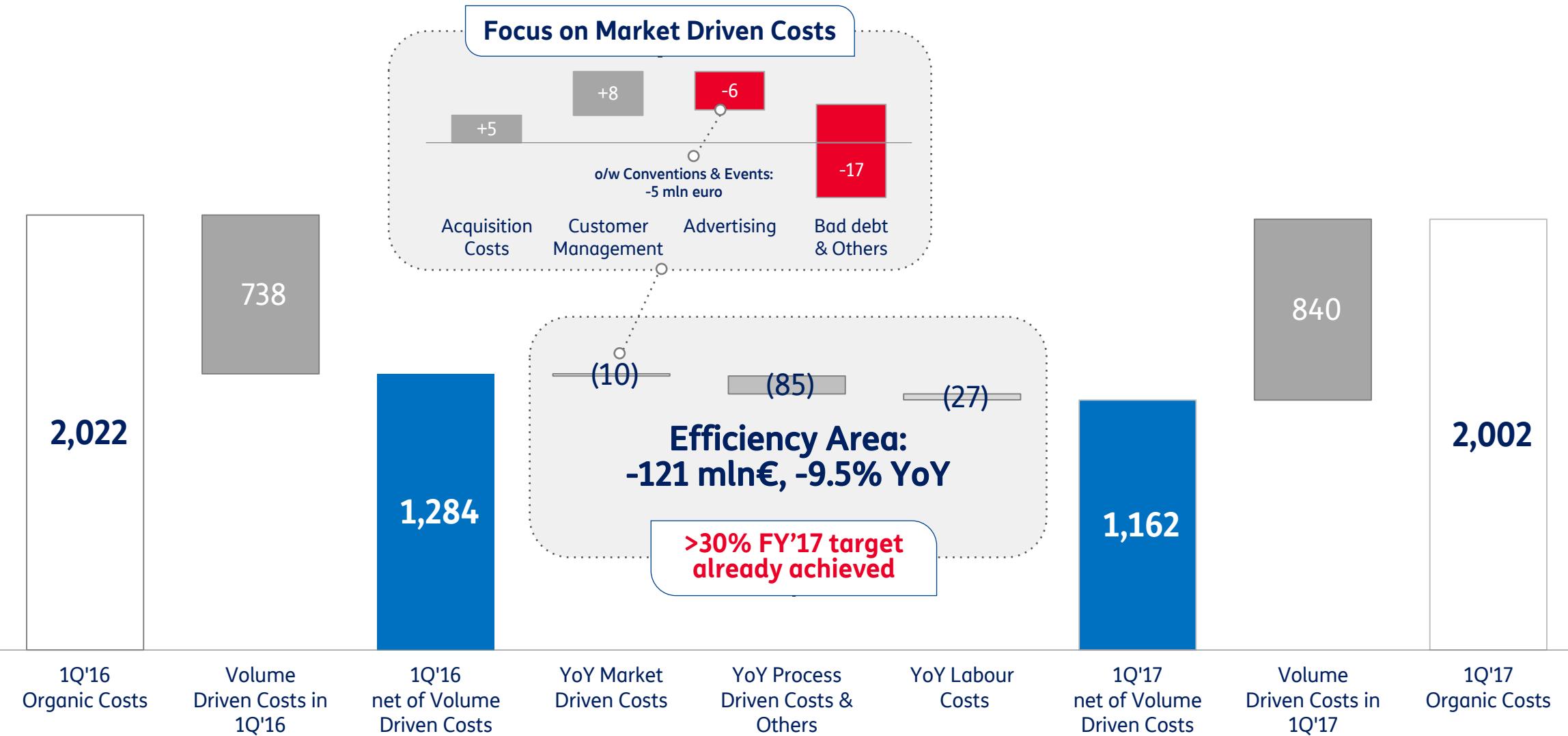
— Financial Highlights - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

Back-up

# Domestic Opex Efficiency Pushing On

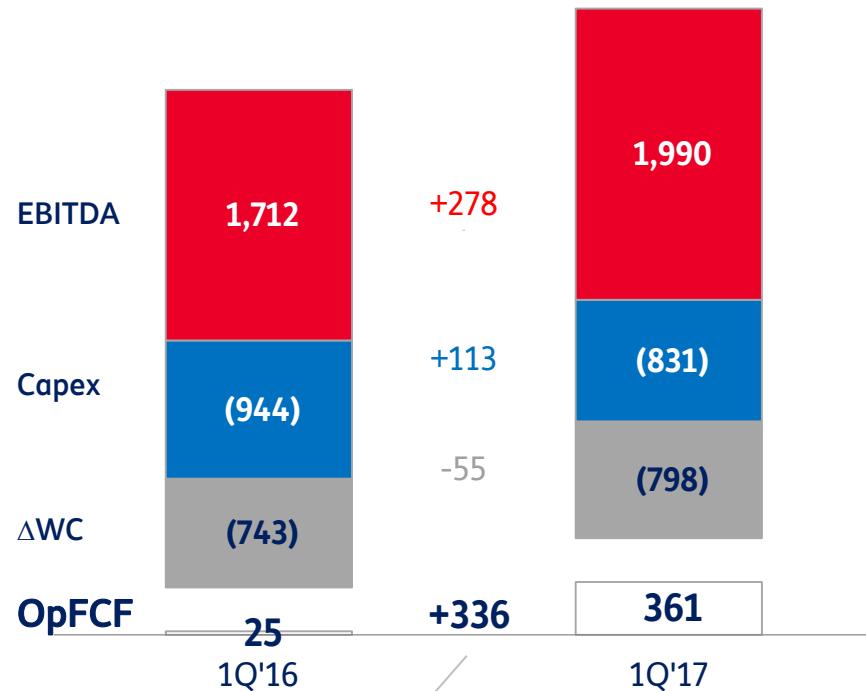
€mln, % YoY



# Up in OpFCF Generation

€mln, Reported, % YoY

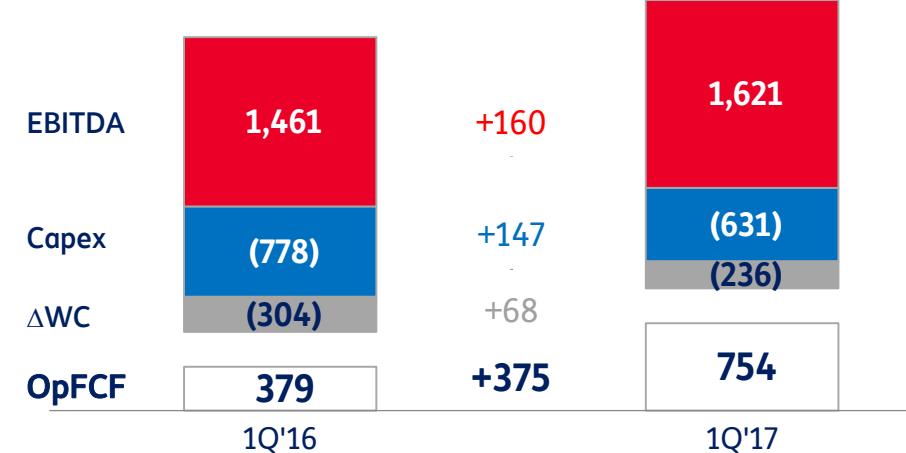
## Group OpFCF



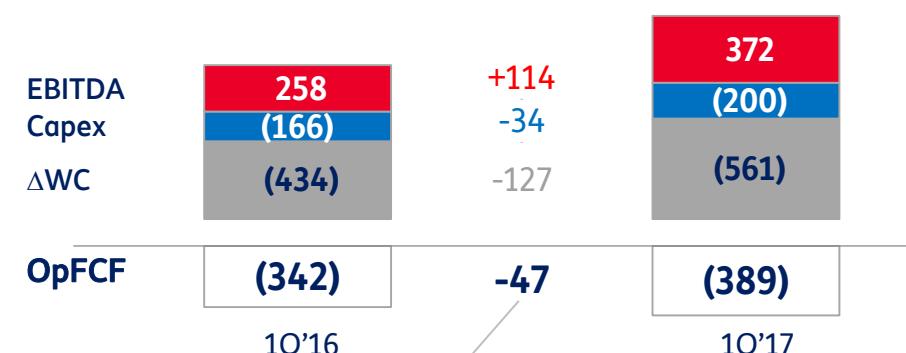
~ +500 mln euro  
excluding non-recurring  
items such as Brazil  
Spectrum Clean-up  
Installments and Real Estate  
Capex for building  
acquisitions in 1Q'16



## Domestic



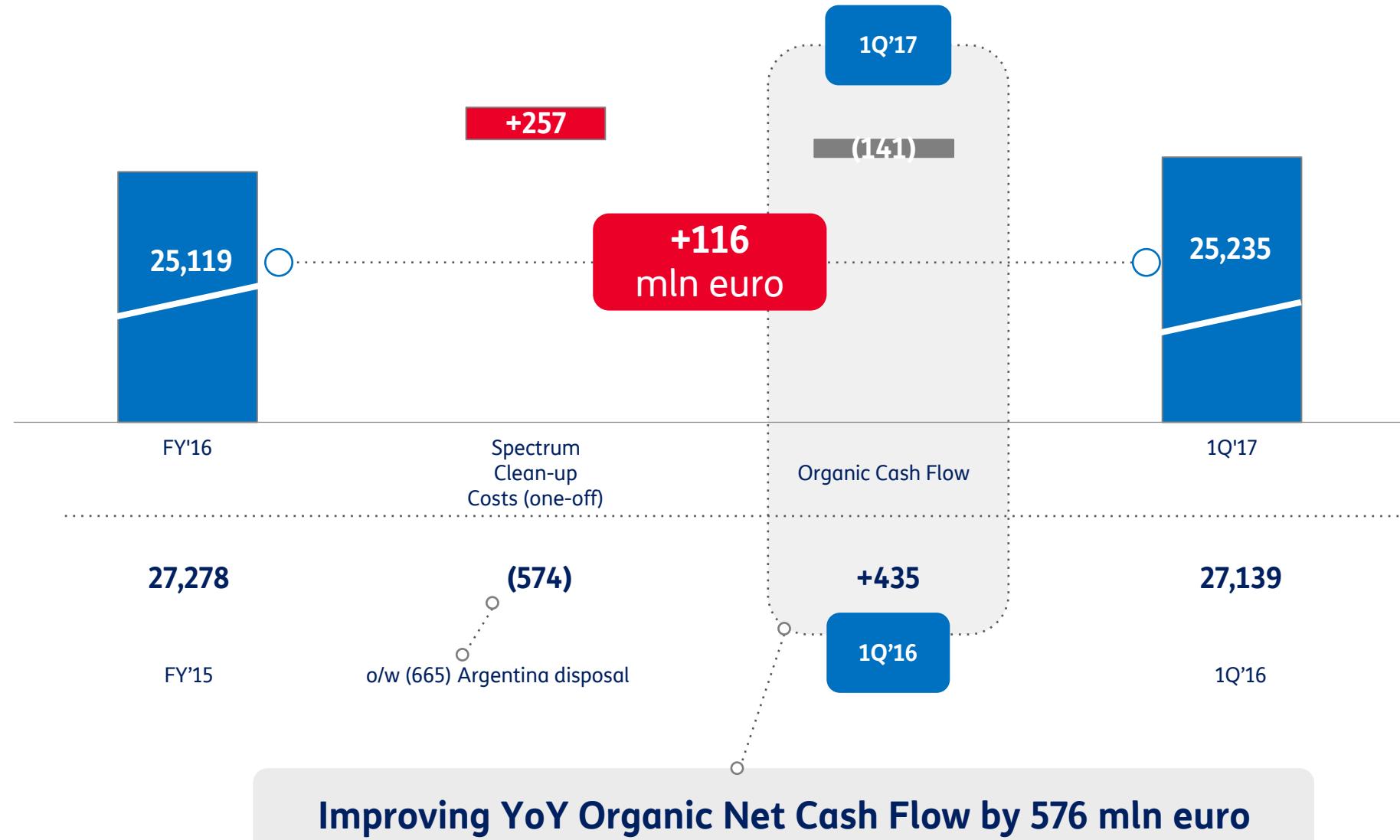
## Brazil



+210 mln euro excluding Spectrum Clean-up Installments

# Net Financial Position Evolution

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



# Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

— Take-Aways - Flavio Cattaneo

Back-up

# After 1 Year of Work, TIM is on a Different Course



## KPIs and Financials

- More Fiber and LTE adoption, less line losses, more lock-in with enabling devices
- Strong trend inversion in main Group figures: best Domestic results ever, Brazil turned from a drag to a growth engine
- Positive outlook for Domestic Service Revenues: parity reached in 1Q'17, further improvements expected



## Infrastructures, Sales and Cost Discipline

- More Investments, Heads and Arms on Core Business
- Ahead on Cash Cost Efficiency: in 1Q'17 >30% of FY target already achieved
- Re-deployment of workforce: as of April, 2,364 employees re-assigned via Job Center



## Cultural Change

- Acted on complexity, simplifying processes and systems
- Moving from defense to attack mode
- “The Customer does not wait”



## Delivering our Targets

- Results are ahead of schedule
- Focus on Bottom line: TIM Group back to profit in FY'16 by 1.8 bln euro vs 70 mln euro loss in FY'15
- Organic NCF in 1Q'17 is +576 mln euro vs 1Q'16

# Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

— Back-up

# 1Q'17 - TI Group Results Overview

## Group

- Revenues: **€ 4.8 bln**
- EBITDA\*: **€ 2.0 bln**



- Capex: **€ 0.8 bln**
- Net Debt: **€ 25.2 bln**

## Domestic

- Revenues: **€ 3.6 bln**
- EBITDA\*: **€ 1.6 bln**



- NGN: **~65%** Households covered to-date
- 4G: **~97%** of Population in **>7k** Cities

## Brazil

- Revenues: **€ 1.2 bln**
- EBITDA\*: **€ 0.4 bln**



- 4G: **1,322** Cities with **75%** of urban population covered
- 3G: **2,878** Cities with **89%** of urban population covered

## Inwit

- Revenues: **€ 86.4 mln**
- EBITDA\*: **€ 44.3 mln**

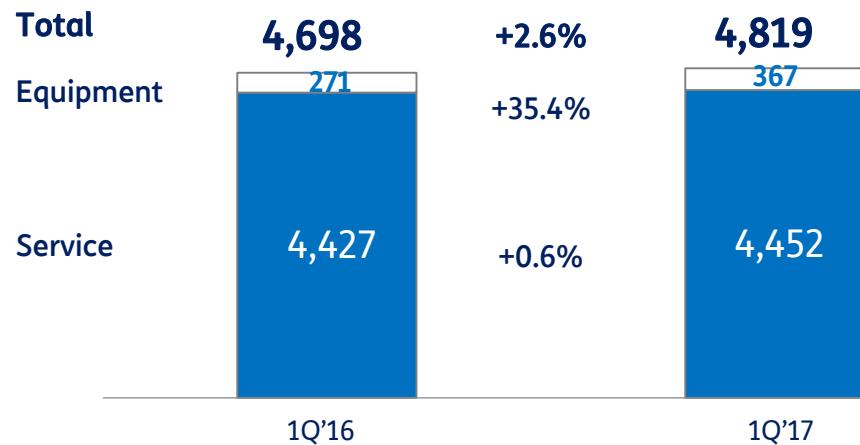


- Tenancy Ratio: **1.75x**
- EBITDA Growth: **+14% YoY**

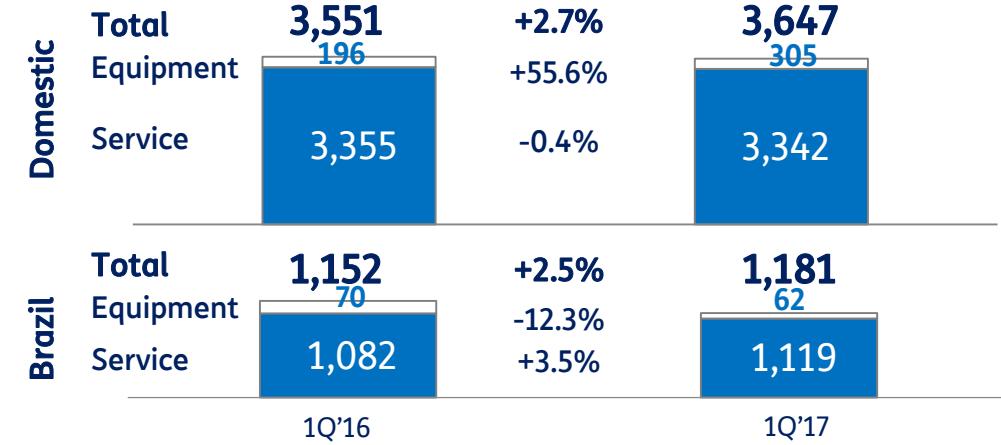
# Group 1Q'17: Organic Revenues and EBITDA

Organic\*, €mln, % YoY

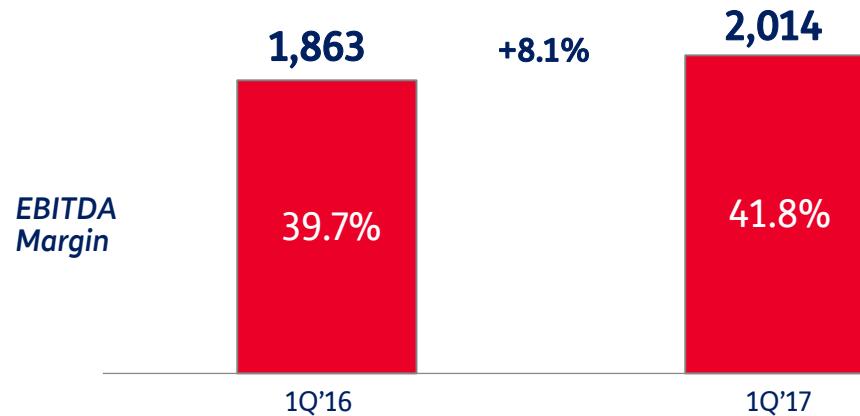
## Group Revenues



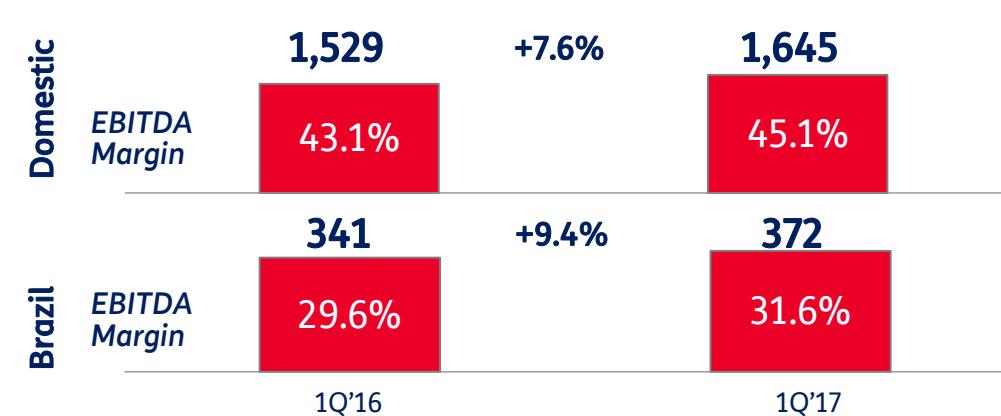
## Revenue Breakdown



## Group EBITDA



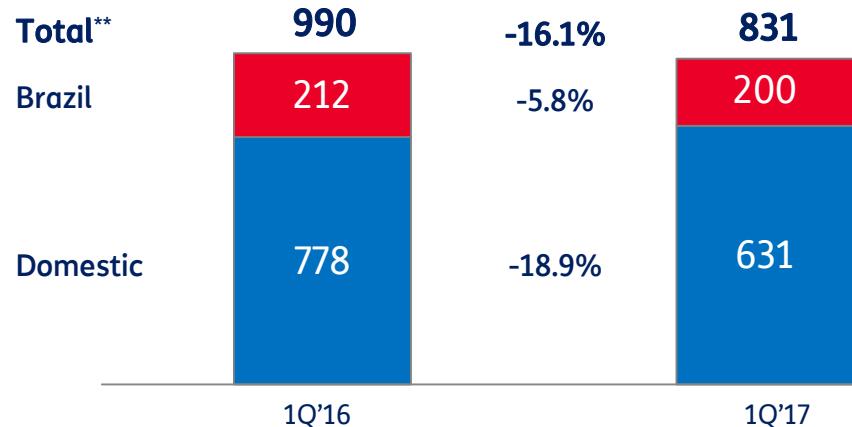
## EBITDA Breakdown



# Group 1Q'17: Capex and Net Debt

€mln, % YoY

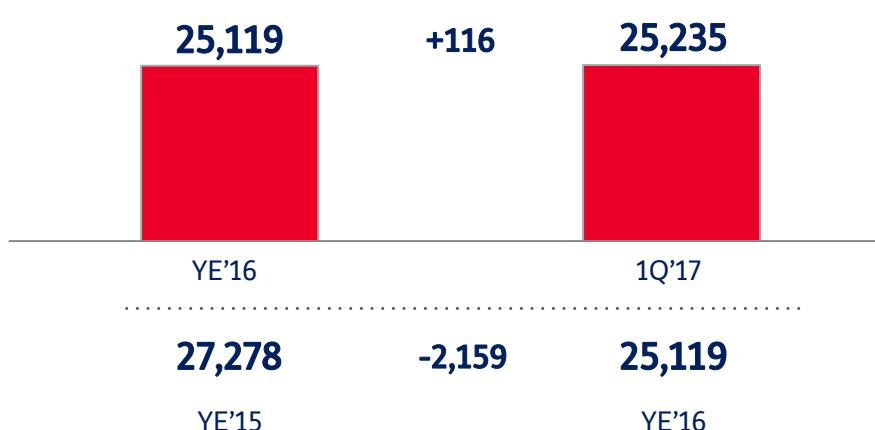
## Group Organic\* Capex



## Capex Highlights

- Group Capex reduction due to different dynamics:
  - **Capex cycle starting to normalize after historical peak levels.** Confirmed the strong focus on infrastructure (~80% of the total Capex)
  - More investment in **Italy** mainly driven by **UBB Network roll-out**

## Adjusted Net Debt



## Net Debt Highlights

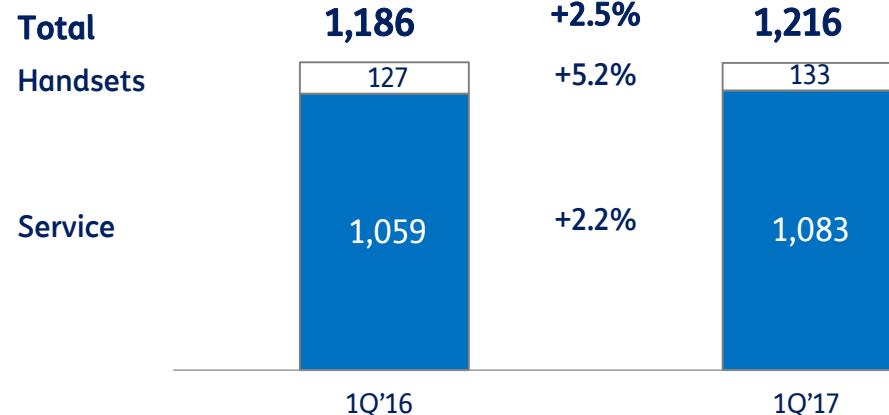
- **Net Debt evolution in 1Q'17 vs YE'16 (+116 mln euro) was affected by the 4G licence clean-up payment in Brazil for 257 mln euro**
- Excluding this factor, **Net Debt would have reduced by 141 mln euro**, due to the **strong performance in Operating Cash Flow**

# Mobile and Fixed Performance

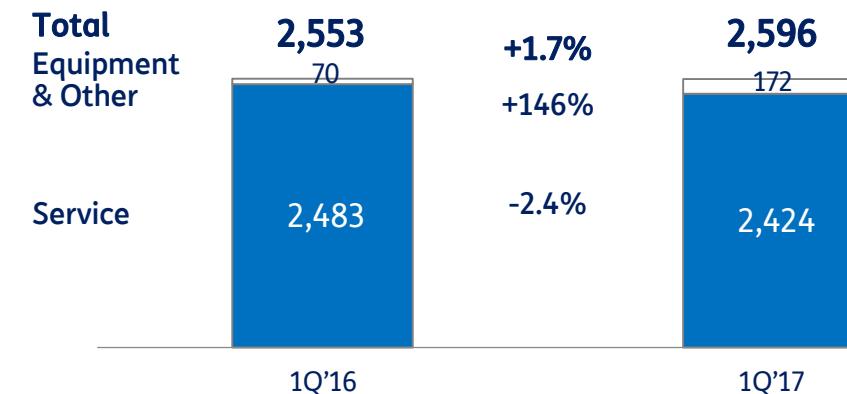
000, €mln, % YoY



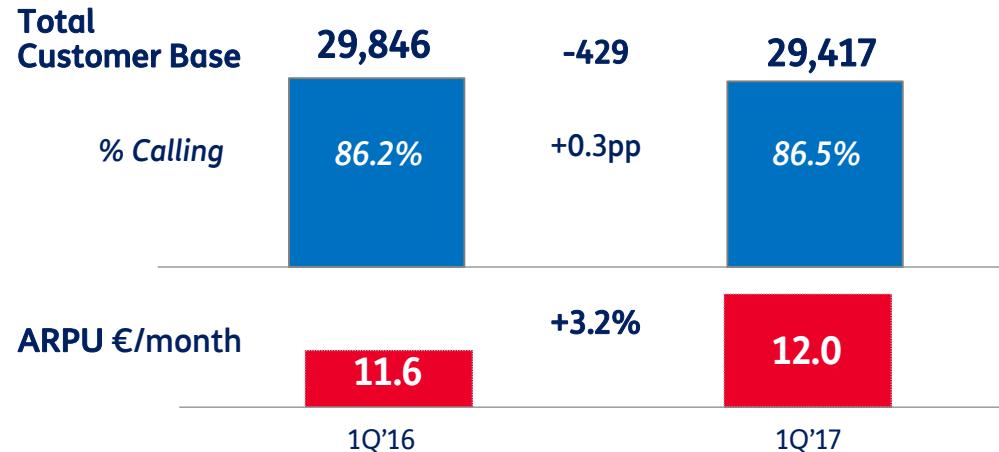
## Domestic Mobile Revenues



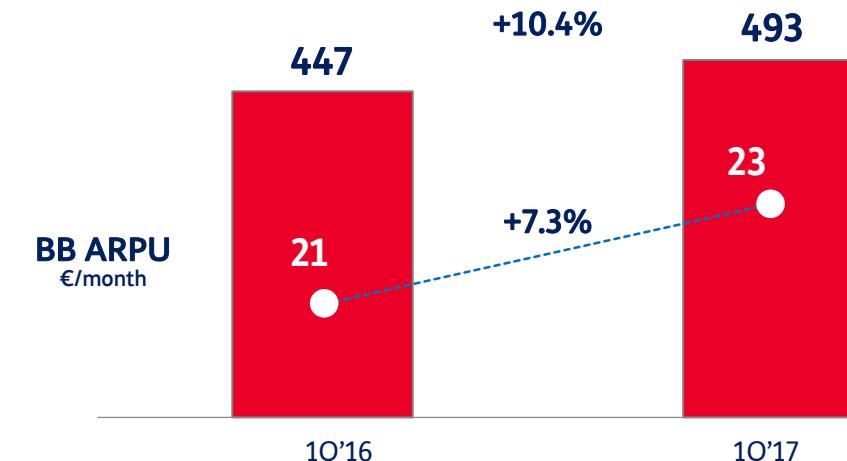
## Domestic Fixed Revenues



## Customer Base and ARPU Dynamics



## Domestic BB Service Revenues

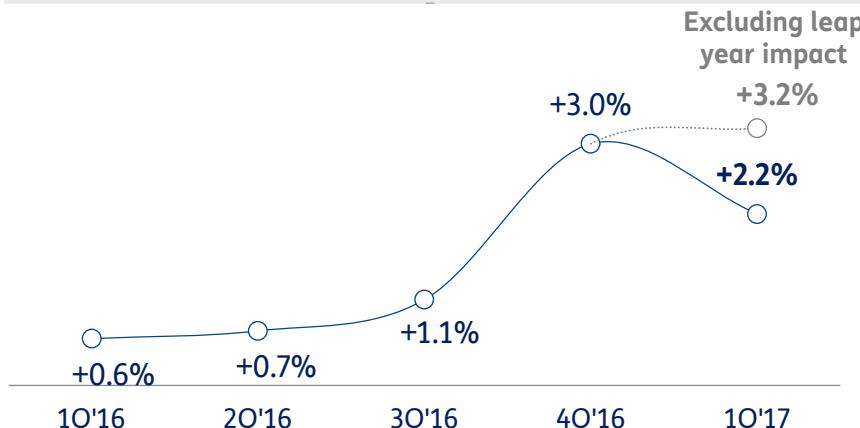


# Mobile and Fixed Dashboard

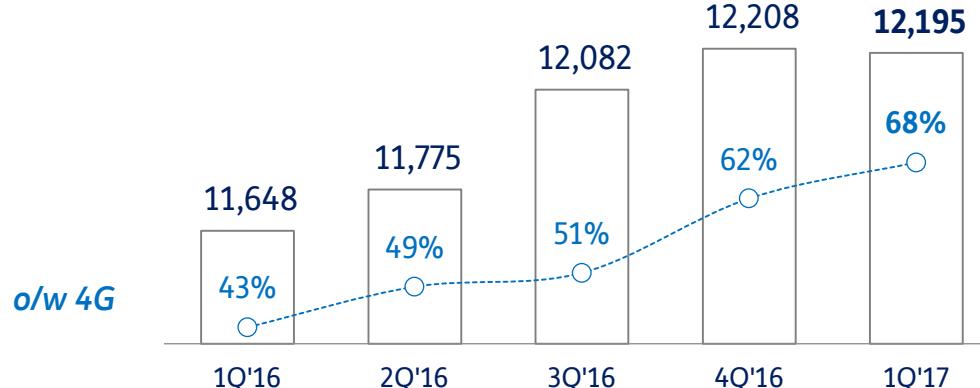
000, €mln, % YoY



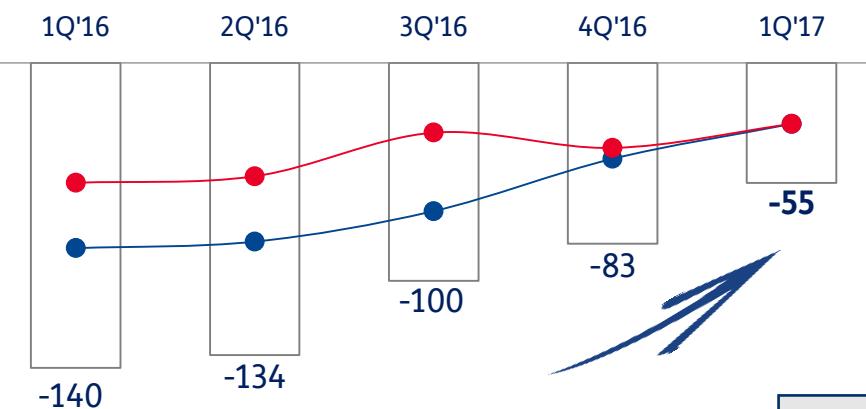
## Mobile Service Revenue Trend



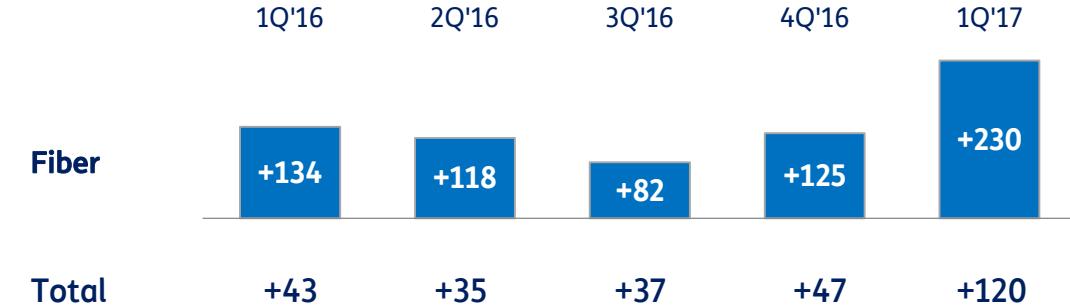
## Mobile Broadband Users



## Fixed Line Losses



## Fixed BB Net Adds



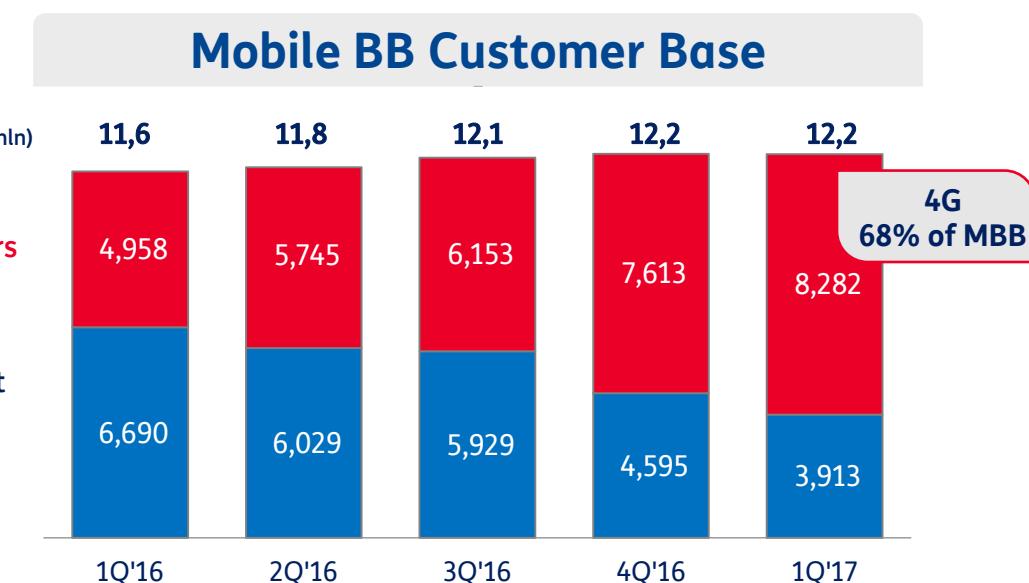
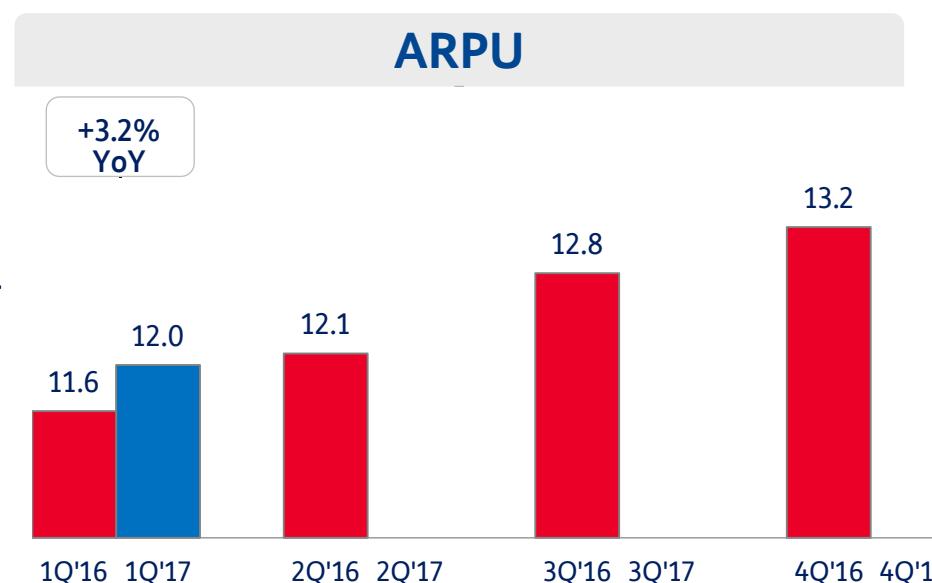
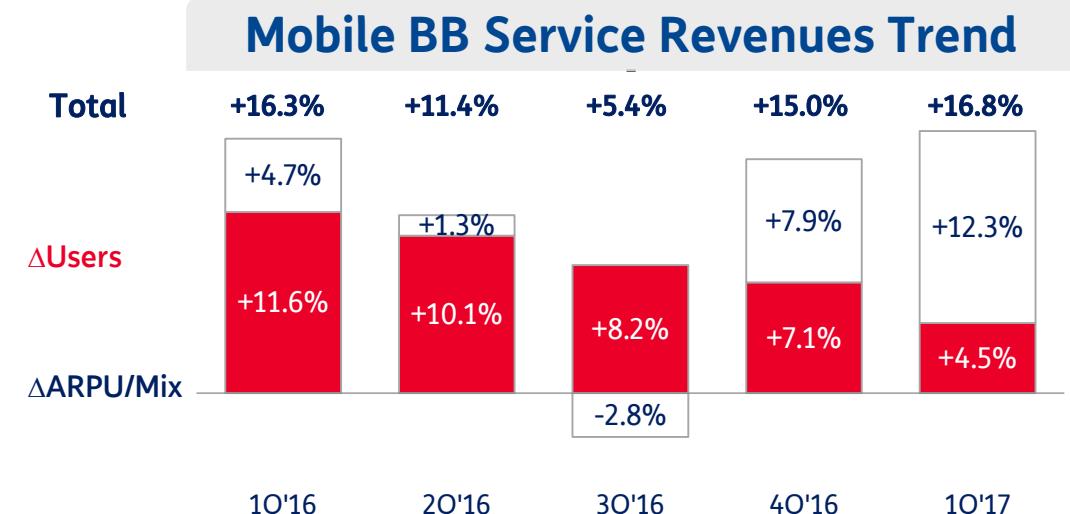
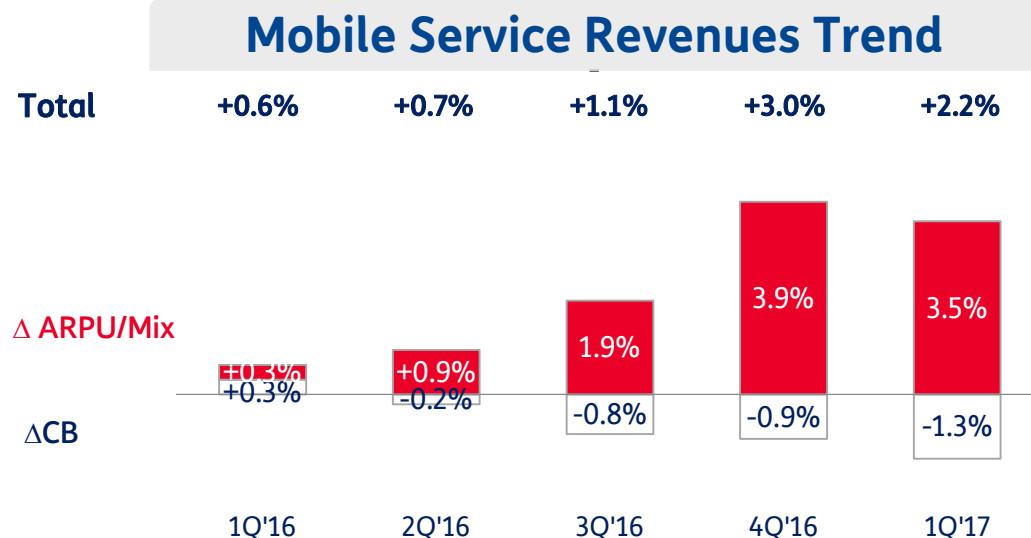
Line Losses  
1Q'17:  
-61% YoY

1Q'17 Fiber  
Net Adds  
+105k QoQ

BB Net Adds  
2.8x YoY

# Domestic Mobile in Detail

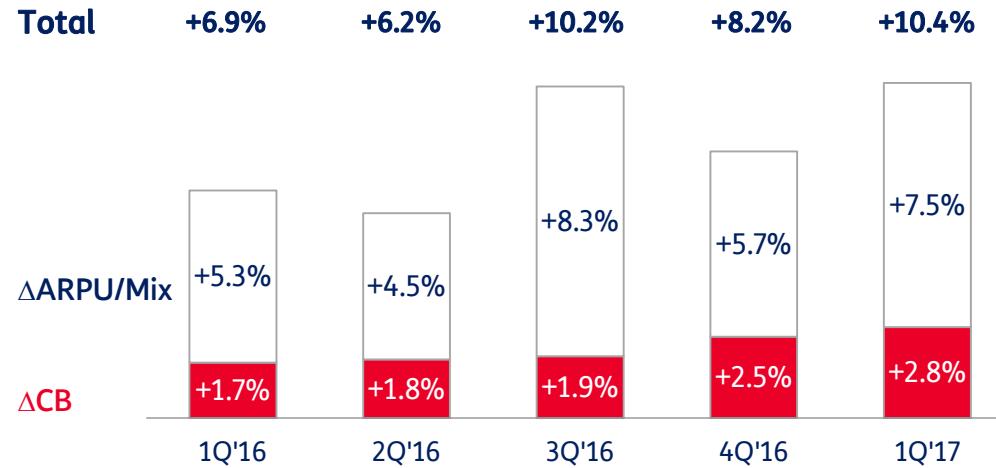
000, €mln, % YoY



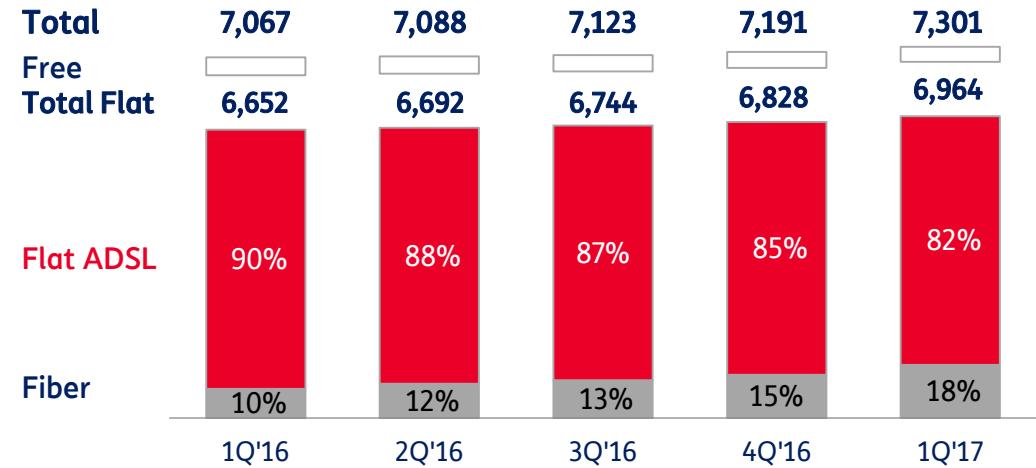
# Domestic Fixed in Detail

000, €mln, % YoY

## Fixed BB Service Revenues Trend



## Fixed BB Customer Base



## Fixed BB ARPU

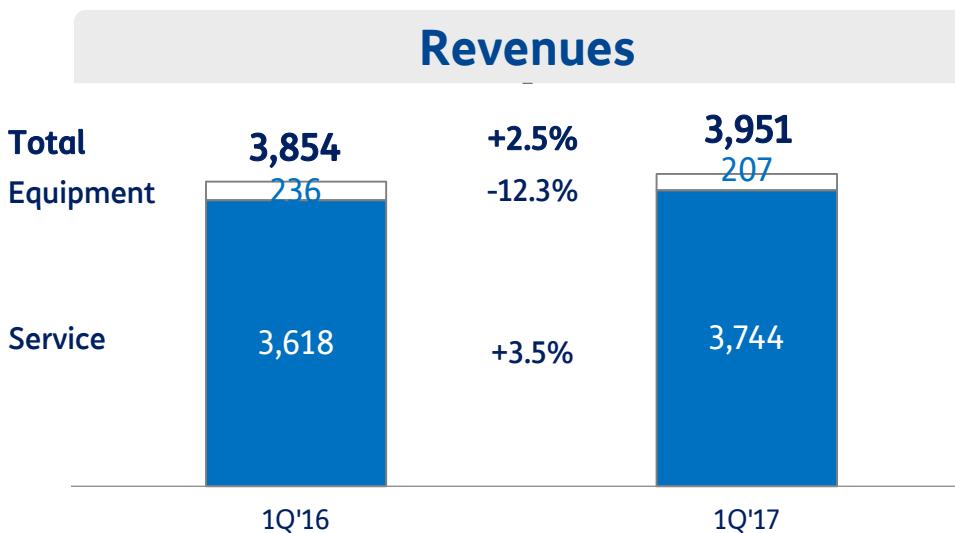


## Focus on Fiber Users (mln)

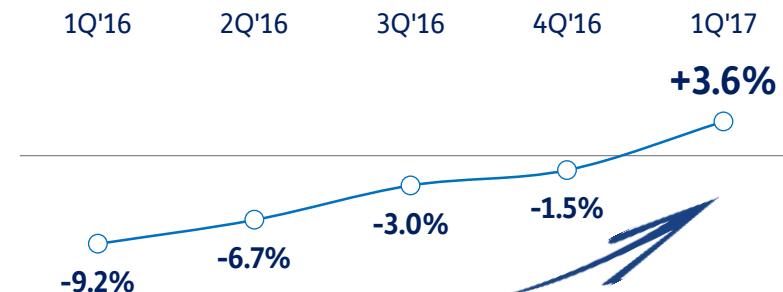


# TIM Brasil: 1Q'17 Results

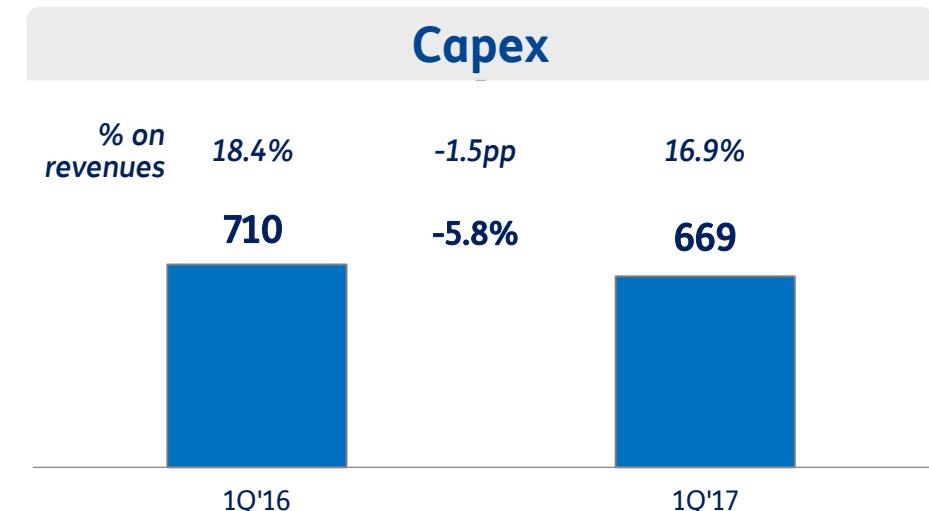
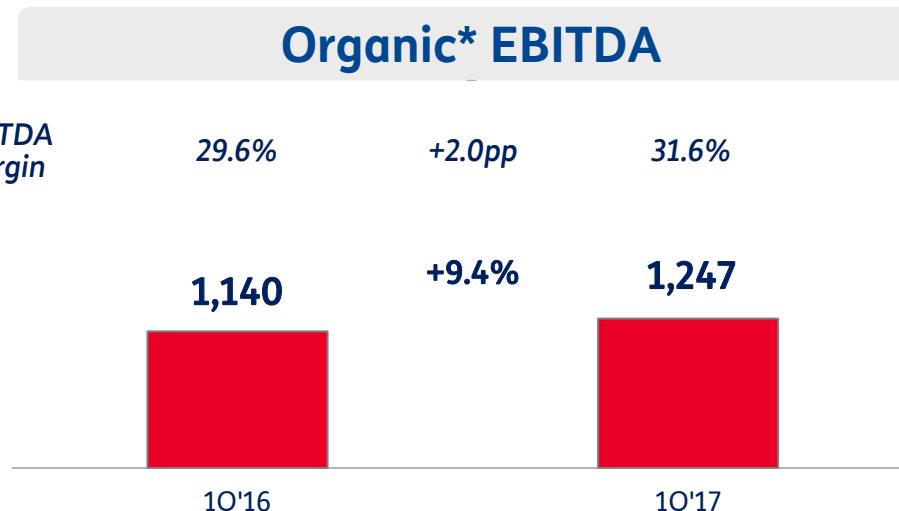
R\$mln, % YoY



### Focus on Mobile Service Revenues YoY



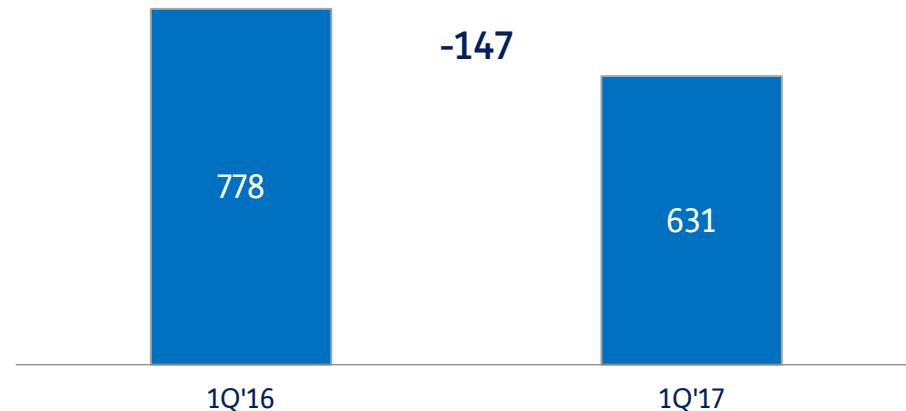
Mobile Service Revenues back to positive growth



# 1Q'17 Domestic: Focus on Investments

€mln

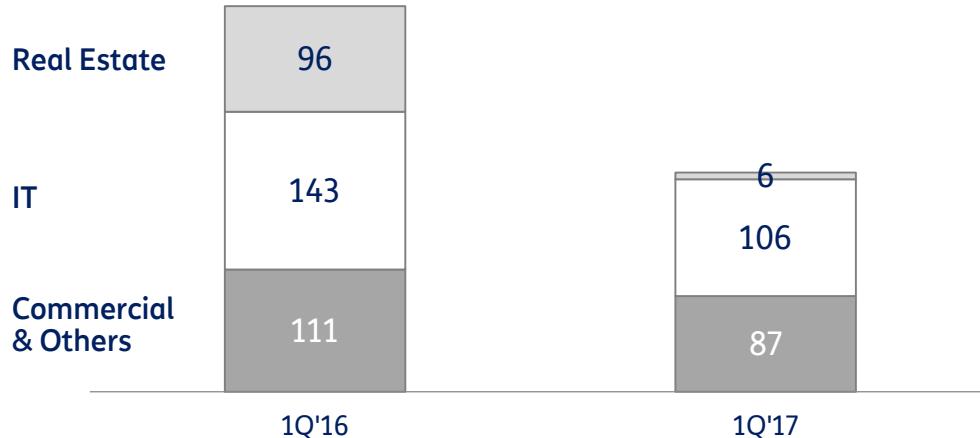
## Total Domestic Capex



## Network Capex



## Other Capex

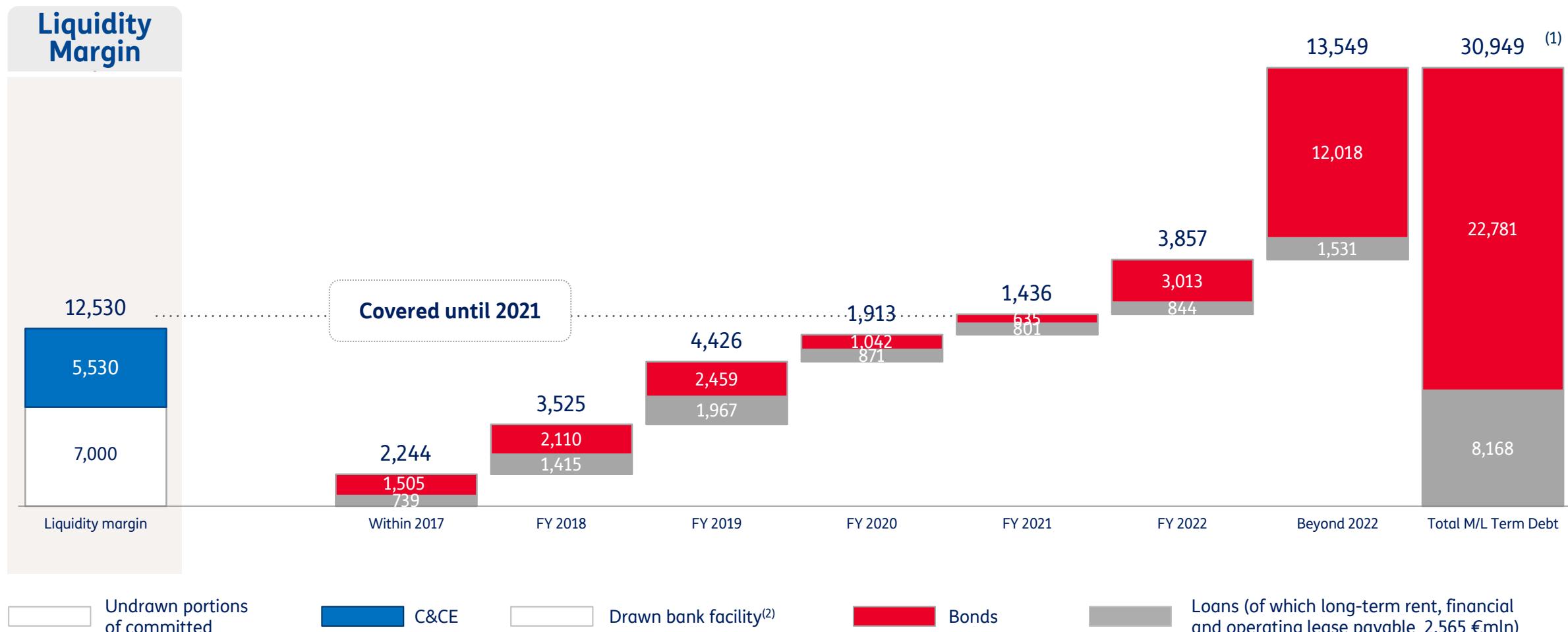


## Domestic Capex Highlights

- The YoY Domestic Capex reduction was driven by:
  - **More innovative network Capex**, mainly related to NGN development
  - **Sound reduction in non core Capex**, such as on Real Estate

# Maturities and Liquidity Margin

€mln

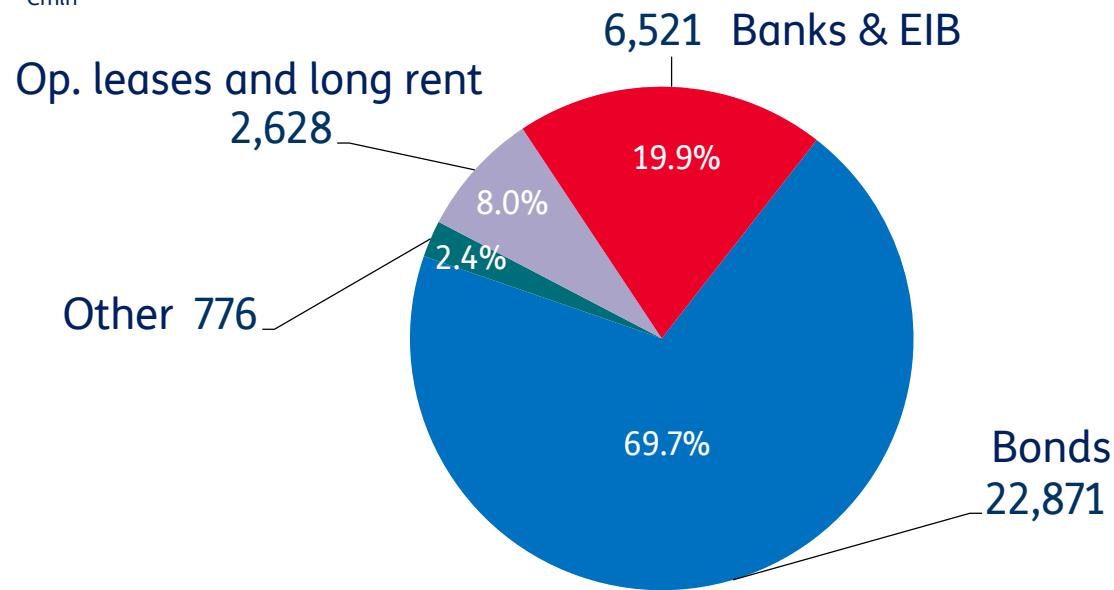


(1) 30,949 €mln is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (1,298 €mln) and current financial liabilities (549 €mln), the gross debt figure of 32,796 €mln is reached.

(2) Committed Bank lines are undrawn

# Well Diversified and Hedged Debt

€mln



## Gross debt

Financial Assets  
of which C&CE and marketable securities

- C & CE
- Marketable securities
  - Government Securities
  - Other

(7,561)	
(5,530)	
(4,461)	
(1,069)	
(557)	
(512)	

## Net financial position

**25,235**

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 1,816 €mln (of which 268 €mln on bonds)

- the impact on Financial Assets is equal to 1,128 €mln.

Therefore, the Net Financial Indebtedness is adjusted by 688 €mln.

## Maturities and Risk Management

**Average m/l term maturity:**  
7.89 years (bond only 8.29 years)

**Fixed rate portion** on gross debt approximately **70.2%**

Around **39%** of outstanding bonds (nominal amount) denominated in **USD and GBP** and is fully hedged



**Cost of debt: ~5.0 %**

# New Telecom Italia EUR 1bln 2.500% note due 2023

## Issue Details

<b>Format</b>	Senior, Unsecured, Reg S Bearer
<b>Size</b>	EUR 1,000,000,000
<b>Issue Date</b>	12 January 2017
<b>Maturity</b>	19 July 2023
<b>Settlement</b>	19 January 2017
<b>IPT</b>	MS+255/260bps
<b>Final Re-offer Spread</b>	MS+237bps
<b>Coupon</b>	2.500%
<b>Re-offer price / Yield</b>	99.288% / 2.622%

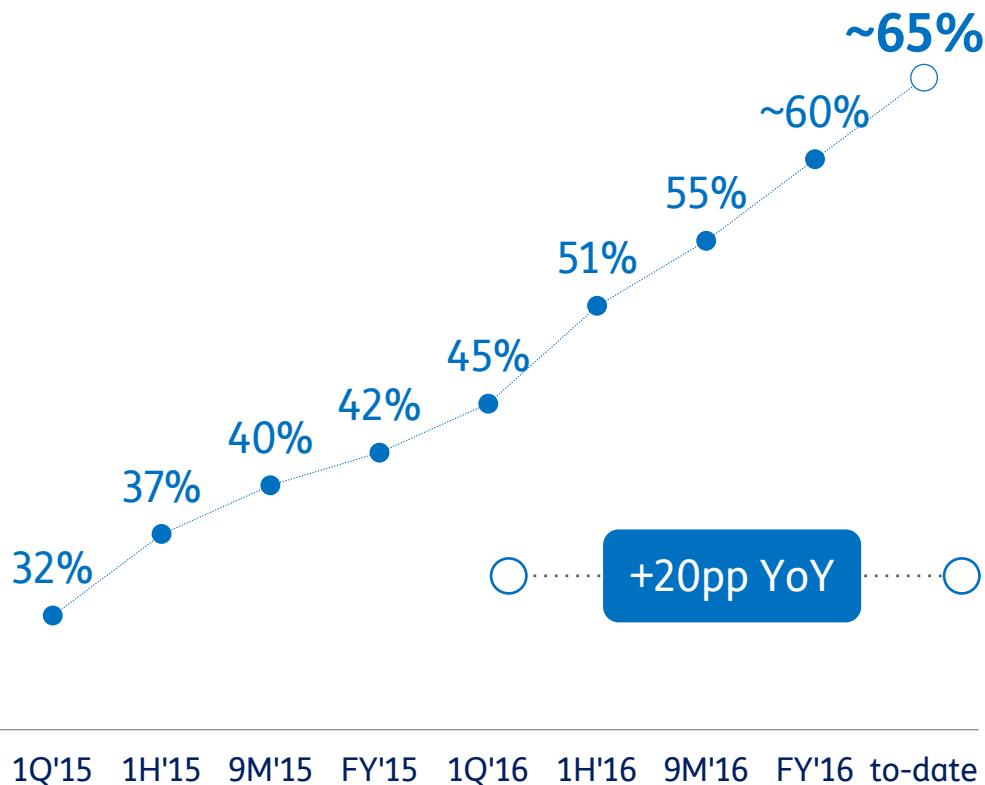
## Deal Highlights

- On Thursday 12th January, TI noted the evolution of the long-end of the curve and chose the right market window to announce a new 6.5-year benchmark transaction
- Investors showed strong appetite for TI's credit and, with an order book north of 2.5 € bln, allowed the company to revise down official guidance from the initial MS+255/260bps to MS+240 (+/-3bps), and announced that the deal would price within the range
- On the back of a very solid, granular and high-quality order book, TI was able to set a final price of MS+237bps, with a NIP in the context of 12bp
- With this transaction, TI confirmed its ability to approach bond investors, being able to place 3.75 € bln over the last 12 months with 4 different transactions

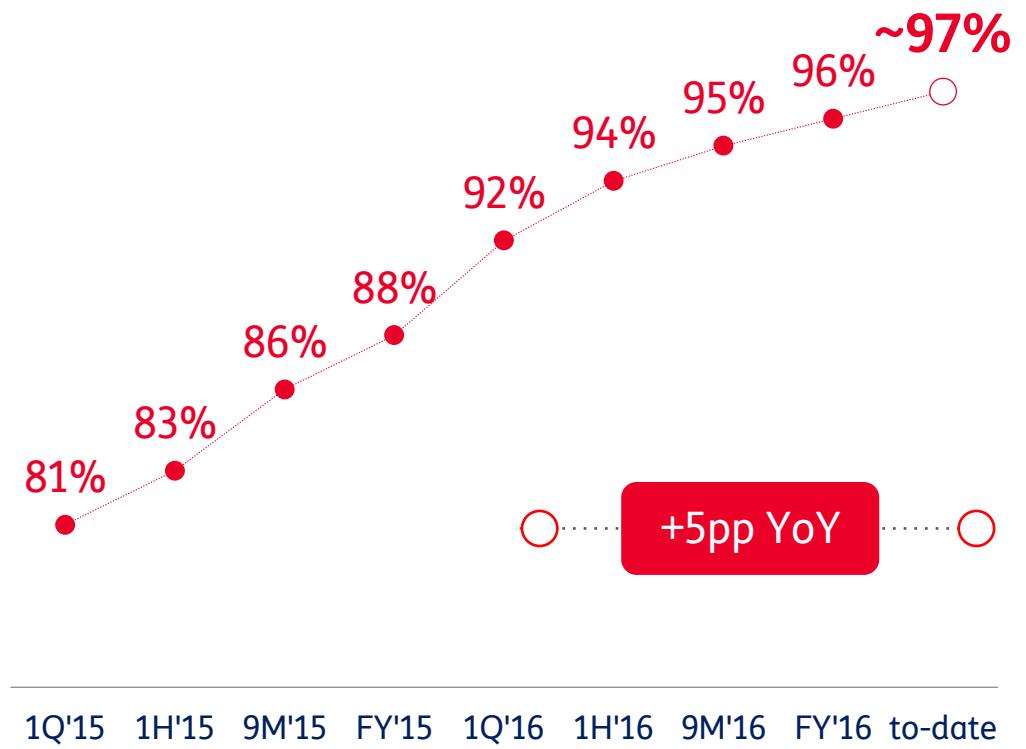
**Six and a half year bond with the lowest coupon ever for a TIM Euro bond  
and significantly below TIM's average cost of debt**

# Domestic Fiber and LTE Coverage Trend

Fiber Coverage\*



4G Coverage\*\*



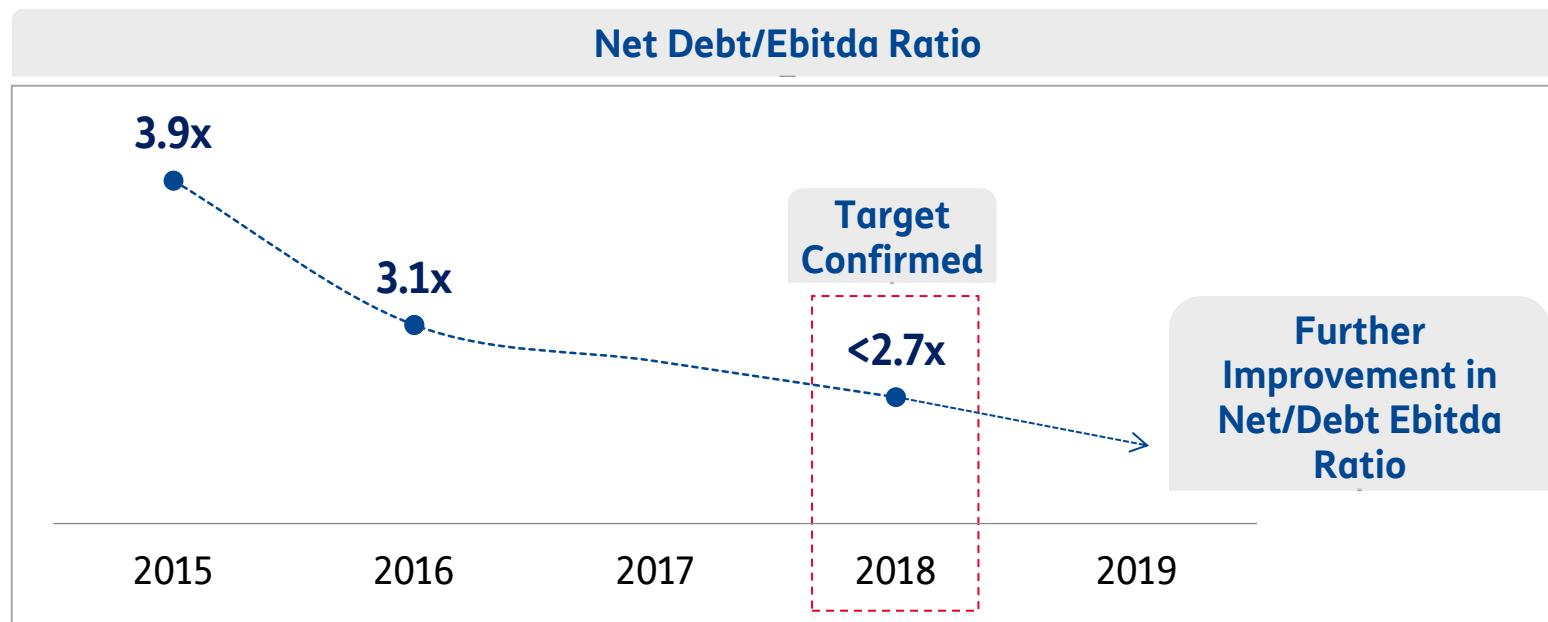
# Domestic Cash Cost Efficiency Dashboard

Run rate, €bln	2015	2016	YoY	Efficiency '18-'15 May'16	△ Efficiency '19-'15 Feb'17	New Efficiency '19-'15 Target
<b>Total Opex</b>	<b>8.41</b>	<b>8.12</b>	<b>-0.28</b>	<b>-0.8</b>	<b>+0.4</b>	<b>-0.4</b>
Volume Driven	3.26	3.36	+0.09	-0.05	+0.5	
<b>Opex net of Volume Driven</b>	<b>5.15</b>	<b>4.77</b>	<b>-0.38</b>	<b>-0.8</b>	 <b>-0.1</b>	 <b>-0.9</b>
Process Driven	1.28	1.14	-0.14	-0.32	-0.2	
Market Driven	1.09	1.02	-0.07	-0.23		
Labour Costs	2.78	2.61	-0.16	-0.2	+0.1	
<b>Total Capex</b>	<b>3.90</b>	<b>3.71</b>	<b>-0.19</b>	<b>-0.8</b>	 <b>-0.2</b>	 <b>-1.0</b>
Traditional	1.99	1.65	-0.35	-0.5	-0.2	
NGN	1.70	1.92	+0.22	-0.15		
Real Estate	0.20	0.14	-0.06	-0.15		
<b>Total Cash Costs</b>	<b>12.31</b>	<b>11.83</b>	<b>-0.48</b>	<b>-1.6</b>	 <b>-0.3</b>	 <b>-1.9</b>

# Group Cash Flow Generation and Deleverage

Cash Flow Generation Driven by Operations Combined with a Sustainable Dividend Policy

- **Deleverage through Operating Cash Flow generation** is a priority, supported by operational and financial discipline
- **2017-2018 Net Free Cash Flow: ~700 mln per annum** on average **including spectrum\***
- **No need** for divestiture to pursue debt reduction
- **Dividends** payment confirmed on **Savings Shares** according to statutory obligations. **No Dividend on Ordinary Shares** paid in Plan years
- **2018 Net Debt/Ebitda** confirmed **below 2.7x** and **further improvement in 2019**



# For further questions please contact the IR Team

## Investor Relations Contact Details



**Phone**

+39 02 8595 4131



**E-mail**

[Investor\\_relations@telecomitalia.it](mailto:Investor_relations@telecomitalia.it)



**Contact details for all  
IR representatives:**

[www.telecomitalia.com/ircontacts](http://www.telecomitalia.com/ircontacts)



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