

11 November 2020

TIM GROUP

Q3 '20 Results

Towards stabilization and growth



Disclaimer

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 International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU (designated as “IFRS”).

The accounting policies and consolidation principles adopted in the preparation of the financial results for Q3 '20 and 9M '20 of the TIM Group are the same as those adopted in the TIM Group Annual Audited Consolidated Financial Statements as of 31 December 2019, to which reference can be made, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2020. The financial results for Q3 '20 and 9M '20 of the TIM Group are unaudited.

Alternative Performance Measures

The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. In particular, such alternative performance measures include: EBITDA, EBIT, Organic change and impact of non-recurring items on revenue, EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt (carrying and adjusted amount) and Equity Free Cash Flow. Moreover, following the adoption of IFRS 16, the TIM Group uses the following additional alternative performance indicators:

- * **EBITDA adjusted After Lease ("EBITDA-AL")**, calculated by adjusting the Organic EBITDA, net of non-recurring items, of the amounts related to the accounting treatment of lease contracts according to IFRS 16 (applied starting from 2019);
- * **Adjusted Net Financial Debt After Lease**, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of lease contracts according to IFRS 16 (applied starting from 2019).
- * **Equity Free Cash Flow After Lease**, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments.

Such alternative performance measures are unaudited.

Towards stabilization and growth

Operations TIMe update: improving trends in Italy and Brazil

What happened in Q3

KPIs

Improved CSI, engagement and organization

- Further improvement in **mobile CSI and NPS**
- **Early retirement / rejuvenation** plan in progress
- **Strong participation in Engagement survey** (+12pp YoY)

CSI ⁽¹⁾ **+1%** Q3 on top of **+3%** Q2 ⁽²⁾
3.4k exits in FY (2.8k in '19)
 Employee satisfaction score **+16pp**

Domestic KPIs stabilising

- **TIM best performer in MNP** among big 3; best balance in 2 years
- **Fix the fixed strategy delivering results**
- **On track to stop losing lines in fixed**

MNP balance **-43k**
 Retail UBB net adds **+72%** YoY
YTD line losses halved YoY

Brazil back to growth

- ARPU growth in all segments
- Best NPS hike since 2017, **back to Mobile Top of Mind after 13 years**
- Strong growth in **cash generation** continues

Service revenues **+1.3%** YoY
 EBITDA – CAPEX **+8.5%** YoY

EFCF AL >€2.5bn in 7 quarters

- Organic **debt reduction** ongoing
- EFCF strong growth. **Guidance confirmed**

Net Debt AL **-€ 0.4bn** QoQ,
 -€ 1.2bn YTD
 EFCF AL **€ 462m** in Q3, +22% YoY

Fix the fixed strategy delivering results and helping mobile

Strategy

New convergent & adjacent services, most extensive TV content

Increased UBB coverage & penetration, focus on white areas

Better sales channel mix, increased direct payments

Push on digital services beyond connectivity

Results/KPIs

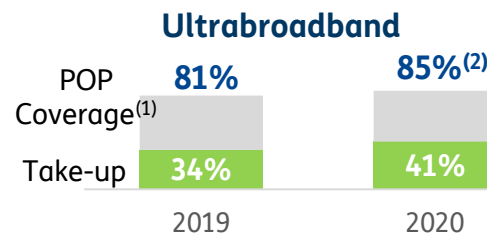
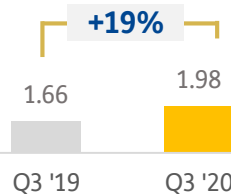
Convergent customers **churn -66%** vs. fixed customer base

Retail + wholesale UBB subs **+23%** YoY in Q3

9M **Bad Debt -32%** YoY
Direct payment **churn -36% lower**

ICT Q3 revenues **+18% YoY**

TIMVISION customers
million



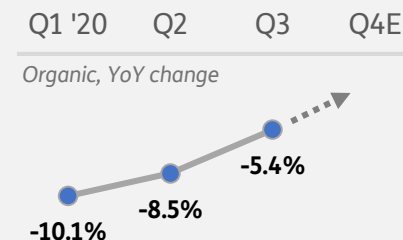
Sales Channels Mix



Cloud business revenues **+20% YoY**

Financials

Fixed Service Revenues



Vouchers from Nov 9th

Voucher to stimulate UBB penetration to further support top line improvement

On the path towards revenues and EBITDA stabilization

Some tough decisions taken in '19/20...

Improve CSI through:

- Enriched offering
- No price increases on existing CB in fixed and mobile
- CSP⁽¹⁾ cleaning in mobile

Make revenues more sustainable/ profitable through:

- Stricter commercial conduct
- Better channel mix (pull vs. push)

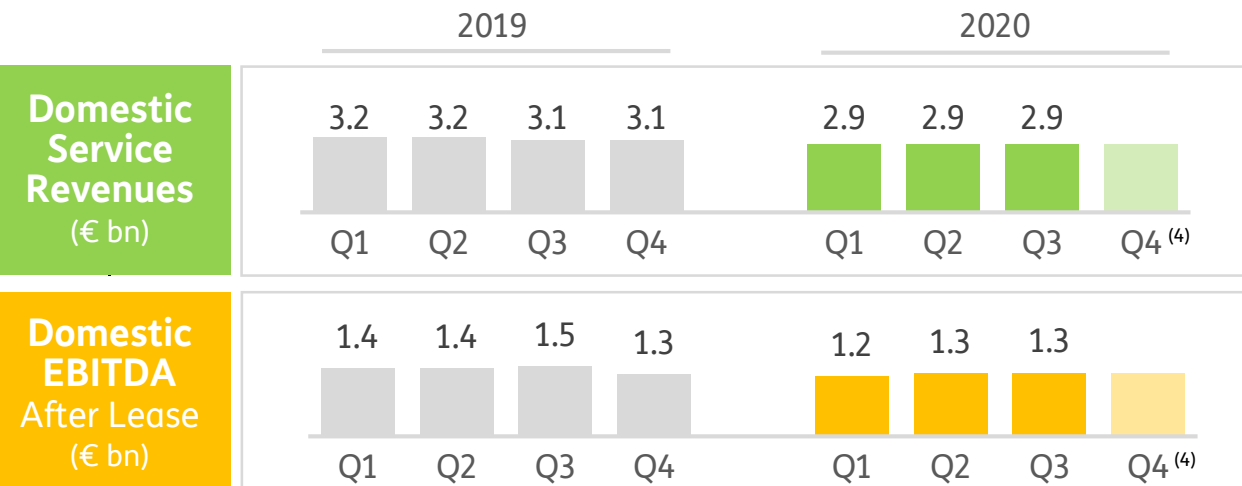
... plus COVID

~50% of 2020 Domestic Service Revenues decline is due to:

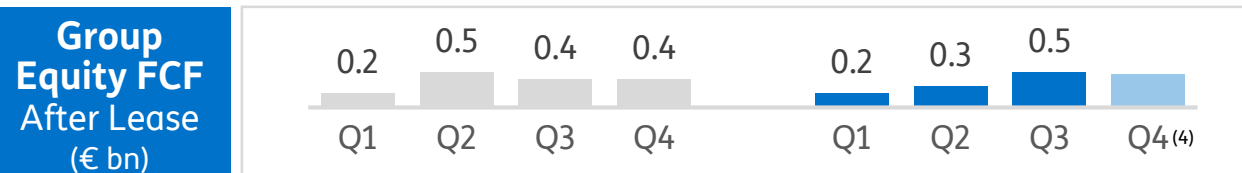
- S/T impact of moving to sustainable commercial conduct⁽²⁾
- COVID related factors⁽³⁾

~50% from customer base decline (mainly 2019)
now close to stabilization in fixed and mobile

Inevitable hit in '20, but revenues & EBITDA now stabilized sequentially



...EFCF already benefiting from action taken...



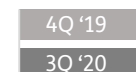
...as well as CSI

Mobile



+4%

Fixed

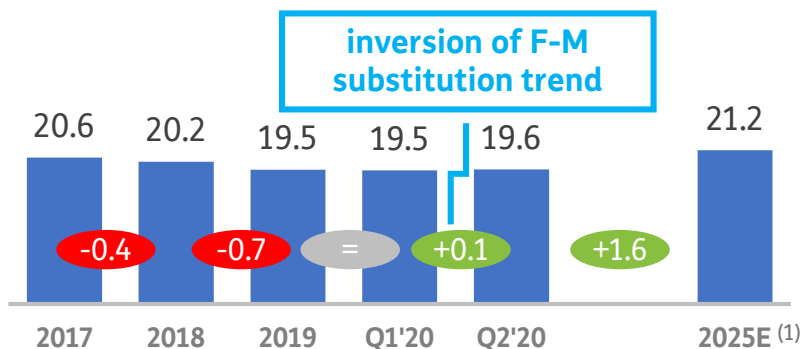


+2%

Laying the foundations for growth

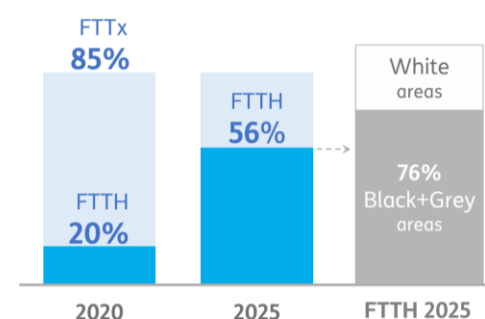
In an improving wireline context...

Italian wireline market - Total lines - m

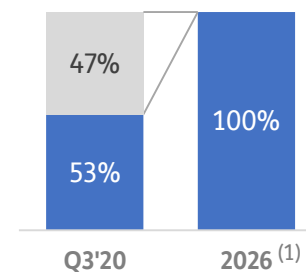


...FiberCop lays foundations for future growth...

FiberCop coverage of technical units⁽²⁾



UBB penetration
(% on tot BB lines)



...in conjunction with TIM's 5G roll out ...

5G



Coverage

- **2020:** 10 cities (90% Milan)
- **2021:** all major cities, tourist areas and industrial districts
- **2025:** national coverage

Monetization

- B2C price premium
- B2B verticals
- IoT and edge computing

...and new digital services expansion

Cloud & Data Centers



Achievements

- NewCo carved out
- Excellent market acceptance
- **2020 expected revenues €0.5bn**

2024 targeted financials

- Revenues € 1bn
- '20-'24 revenue CAGR ca. 20%
- EBITDA € 0.4bn

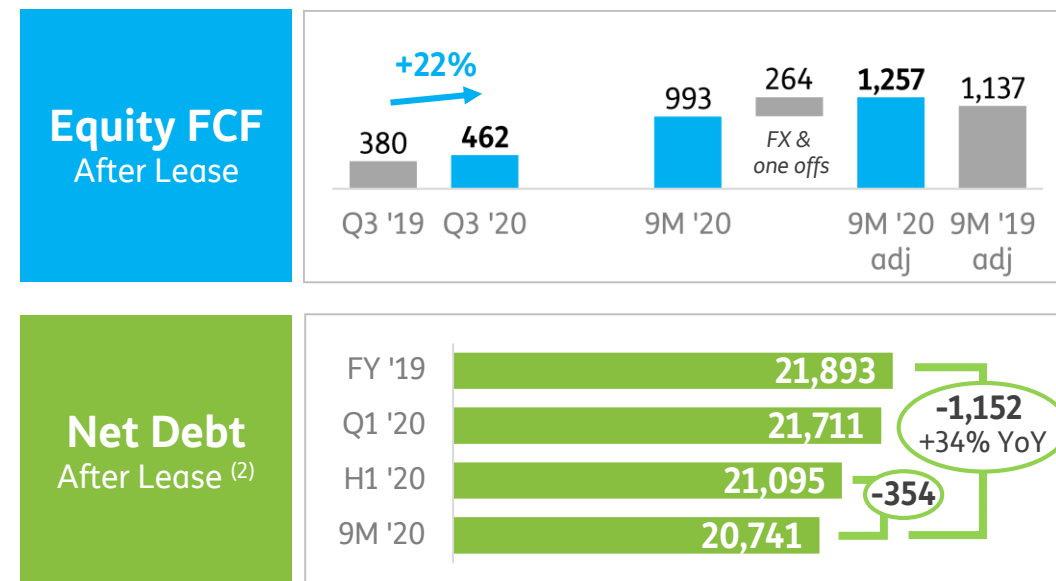
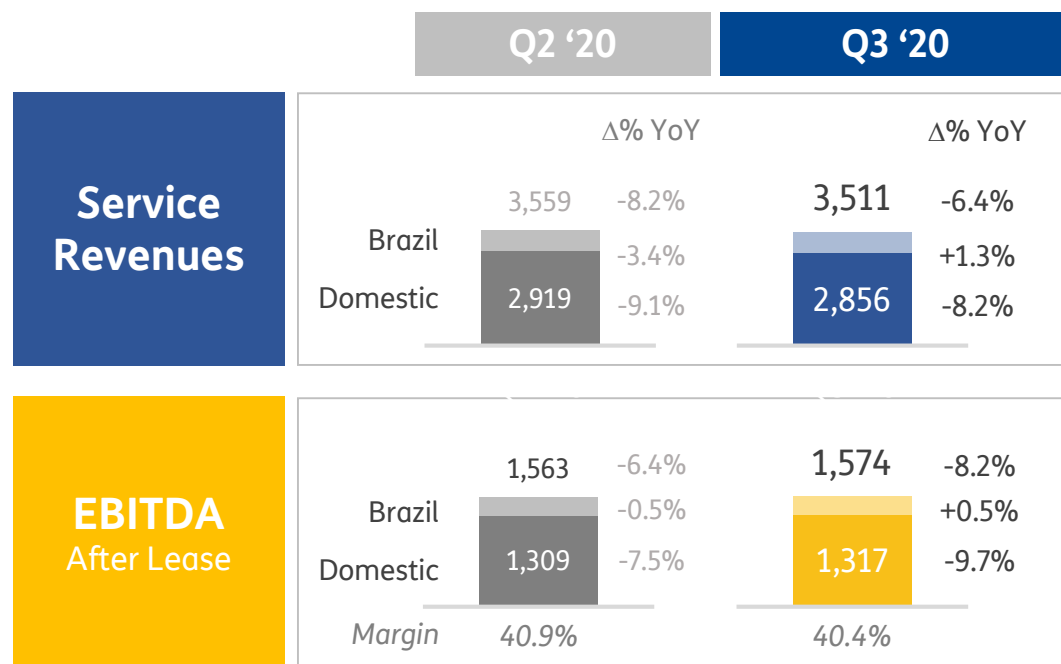
Guidance 2020-'22 reiterated

	Group		Domestic		Brasil	
	2020	2021-'22	2020	2021-'22	2020	2021-'22
YoY growth rates, IFRS 16 / After Lease						
Organic Service revenues	✓ Mid single digit decrease	✓ Low single digit growth	✓ Mid to High single digit decrease	✓ Stable to Low single digit growth		✓ Mid single digit growth
Organic EBITDA AL	✓ Mid single digit decrease	✓ Low to Mid single digit growth	✓ Mid to High single digit decrease	✓ Low single digit growth	✓ EBITDA-Capex growth confirmed	✓ EBITDA margin ≥ 40% in '22
CAPEX			✓ ~€ 2.7bn in 2020 ~€ 2.9bn in 2021-22			
Eq FCF AL	✓ Cumulated € 4.5 - 5.0 bn To be enhanced through inorganic actions presently not included					
Adjusted Net Debt AL	✓ <€ 18bn by 2021, stable in 2022 Excluding proceeds from FiberCop ⁽¹⁾					
Dividend	✓ <u>ordinary</u> : floor of € 1 cent per share , aim to distribute 20-25% of yearly Equity FCF subject to deleverage execution <u>savings</u> : €2.75 cents per share throughout 2020-2022					

Financial Update

Another quarter of strong organic cash generation: Equity FCF +22% YoY

Organic data ⁽¹⁾, IFRS 16, € m



No solidarity in Q3 '20 imply 1.4pp YoY drag and 4.2pp swing in the QoQ dynamic (3 days in Q3 '19 and 13 days in Q2 '20)

Positive regulatory ruling in Q3 '19 weighs 1.8pp

Net of discontinuities Q3 EBITDA YoY performance better than Q2

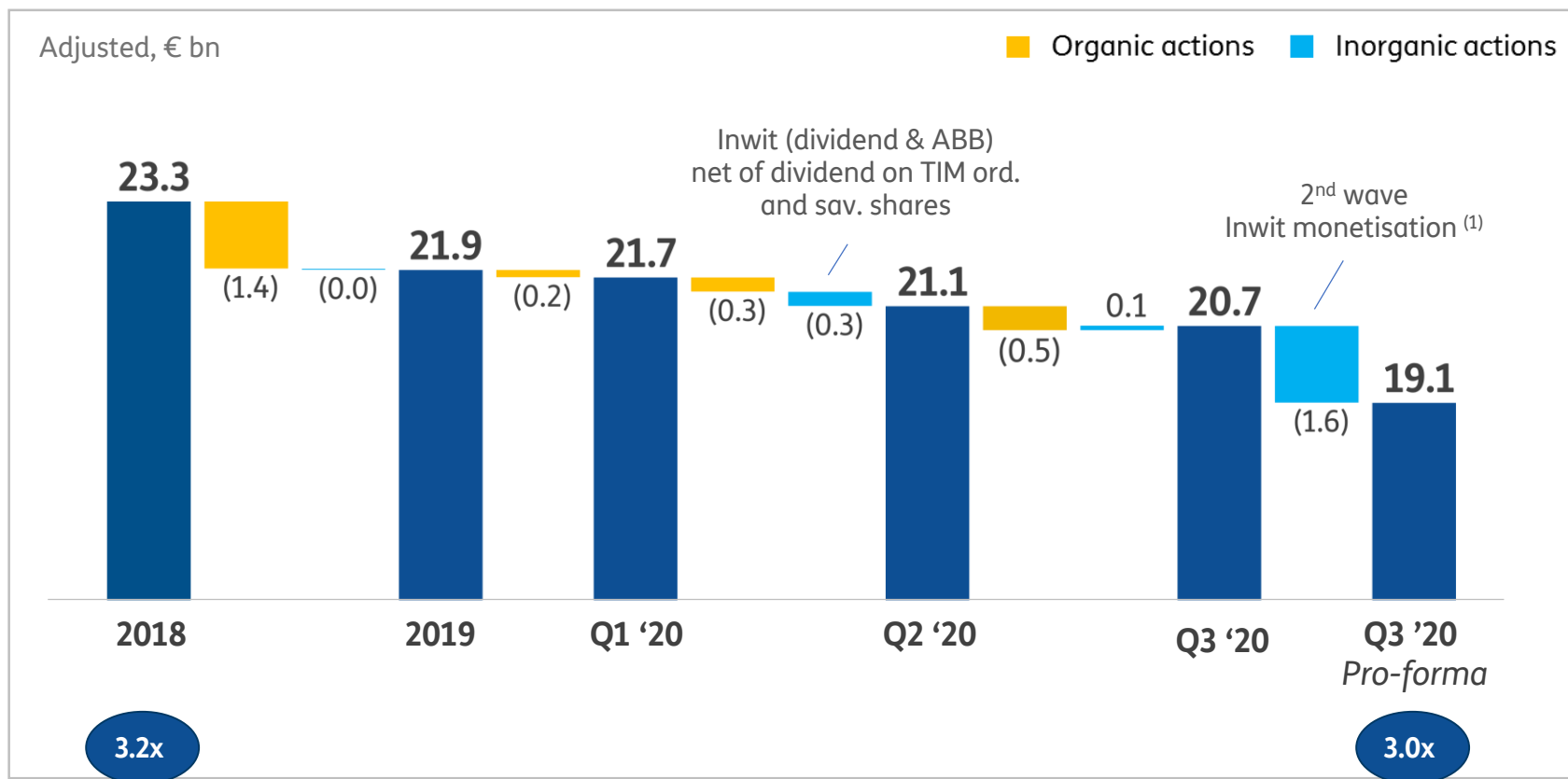
Q3 Equity Free Cash Flow AL € 462m (+22% YoY)

Q3 Net Debt improvement entirely organic (€110m spent on 5G licence vs. € 18m in '19)

Under IFRS16 debt reduction € 502m QoQ (+15% YoY), EFCF € 688m in Q3 (+12% YoY)

Debt improved €4.2bn in less than 2 years

Group Net Debt After Lease



Net Debt / EBITDA AL ⁽²⁾

Net Debt / LTM EBITDA AL

€ 2.4bn organic debt reduction since 2018

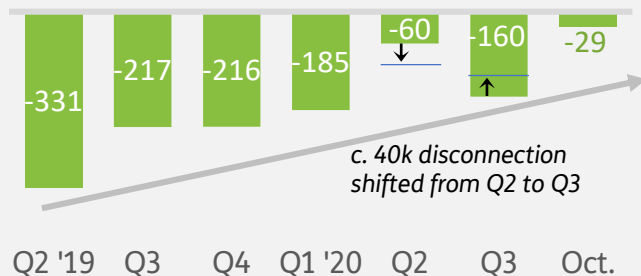
€ 2.3bn deleverage through INWIT monetization (€1.6bn in Q4⁽¹⁾)

Additional € 1.8bn from KKR transaction expected in 2021

Fixed KPIs: on track to halve line losses in 2020 vs. 2019. Fiber growing fast

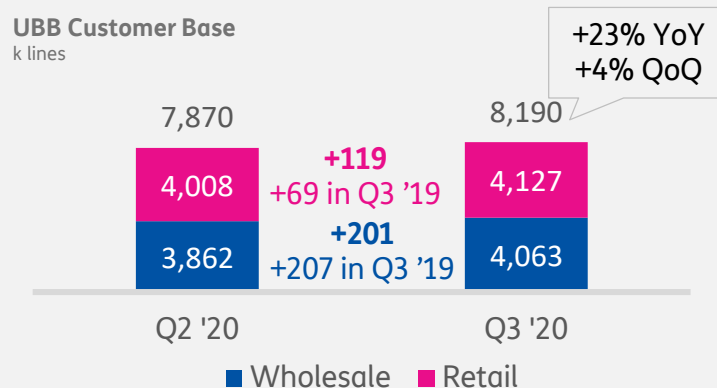
Retail line losses on improving path

Line losses QoQ
k lines



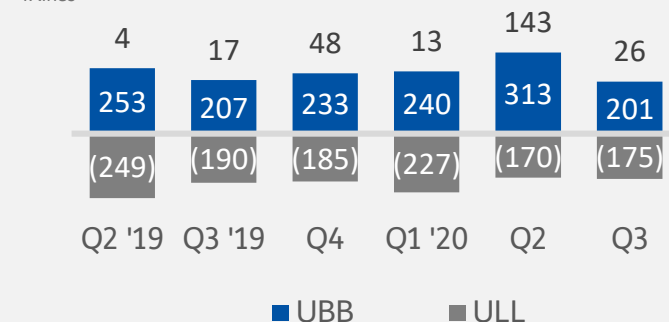
UBB growing fast

UBB Customer Base
k lines



Wholesale UBB net adds above ULL losses

Net adds QoQ
k lines



CSI +0.5% in UBB after +3.7% in Q2

Lower disconnections from **fixed to mobile substitution** and delinquent clients

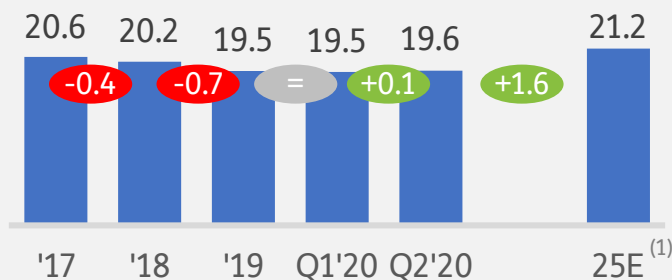
Churn significantly better YoY (at 1.3%)

Increased **penetration in white areas** in 2020

Vouchers to stimulate demand from Q4

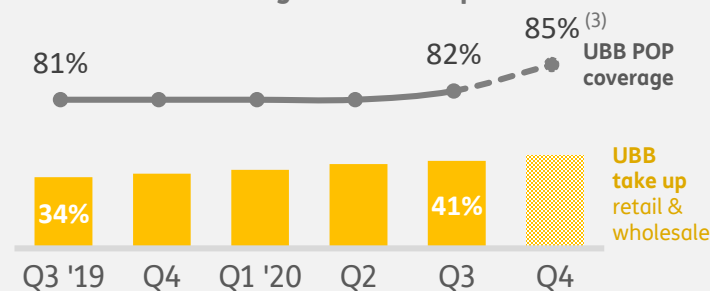
Inversion of F-M substitution ...

Italian wireline market - Total lines - m



...with UBB growth accelerating

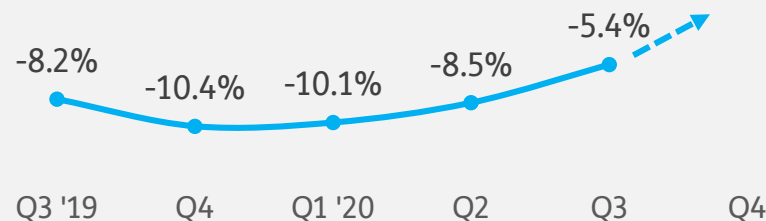
UBB coverage and take up (2)



FSR on an improving path with Q4 expected better than Q3

Fixed Service Revenues

YoY change

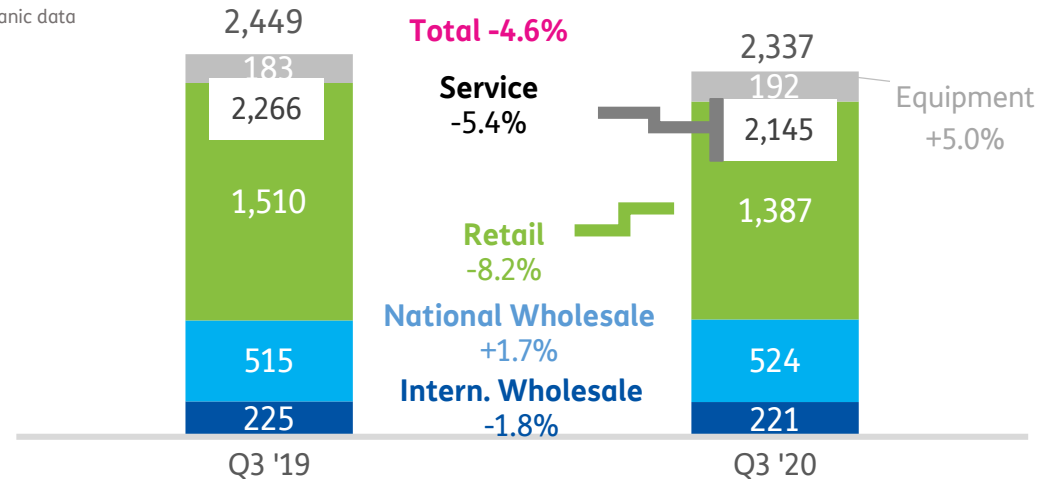


Fixed Service Revenues (FSR) improved YoY performance vs. Q2 and Q1. **Further improvement expected for Q4**

- **National Wholesale** +1.7% vs. +1.3% in Q2 for better mix (more fiber vs. copper)
- **International Wholesale** -1.8% vs. -3.9% in Q2
- **Retail** improving (-8.2% YoY vs. -12.5% in Q2) for:
 - lower line losses
 - **Lower ARPU drag** in YoY comparison
 - Improved ICT revenues (+18%) mainly for increased demand of cloud services

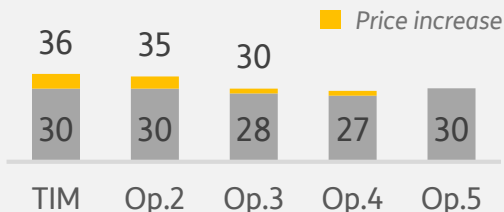
Acquisition prices on an improving trend

Fixed Revenues

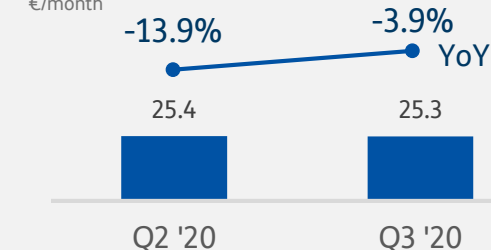
Organic data
€ m

Fixed pricing

Price benchmark

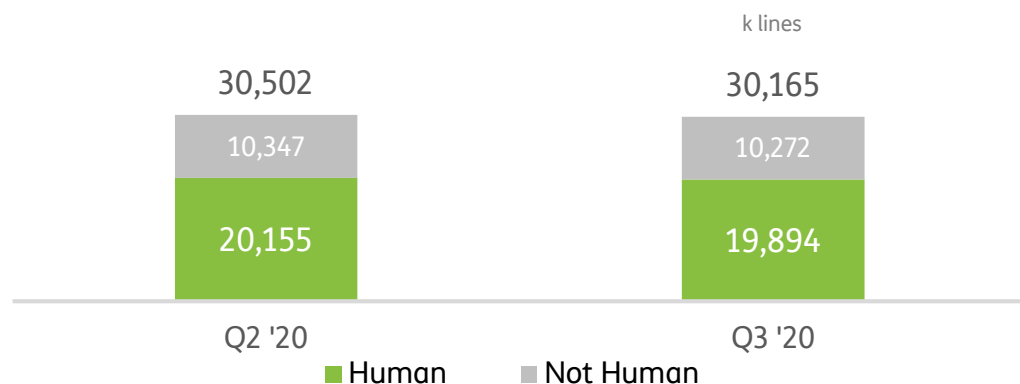
Mass market published prices, Oct. vs. Jun. 2020
€/month

Broadband ARPU

BB ARPU
€/month

Mobile KPIs showing the best Mobile Number Portability balance since Q2 '18

Mobile Customer Base



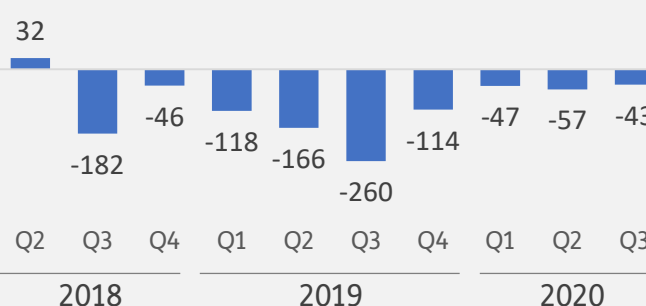
MNP balance

Best performance of the last 2 years

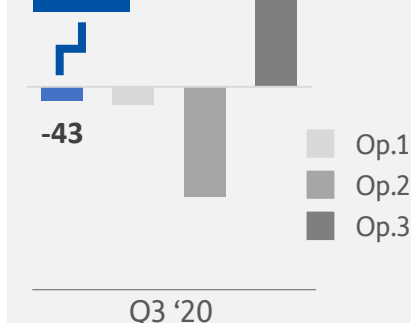
TIM best among big 3

MNP balance

k lines



TIM



Stabilization of customer base key for turnaround: impact on MSR from CB reduction improved ~2pp QoQ

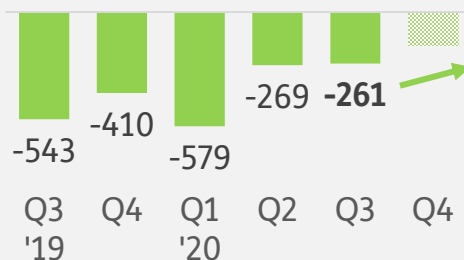
Customer Satisfaction Index improved another 1% QoQ

Net Promoter Score well above large operators'

Human net adds improved YoY

Human net adds QoQ

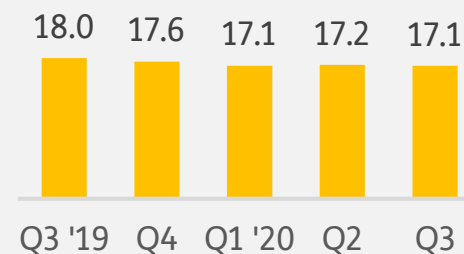
k lines



Calling customer base

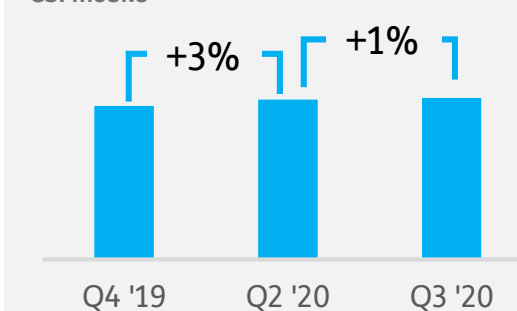
Human Calling CB

m lines



CSI improved

CSI mobile (1)



MSR: Q3 discontinuities to fade-off in 2021

MSR: trend YoY (-13.7%) is explained by:

- ~6pp of one-off drags⁽¹⁾, set to fade off in 2021
- ~4pp related to the customer base trend (vs. >6pp in Q2)
- ~2pp related to price dynamics

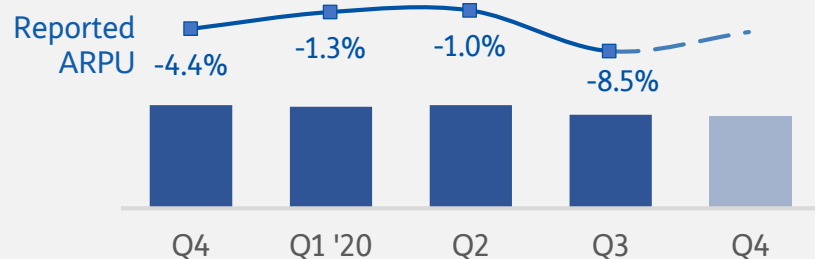
~6pp drags affecting Q3 are expected
~4pp in Q4 and <1pp in '21

MTR price reduction explains -0.7pp drag

Handsets sales back to growth after the lockdown slowdown

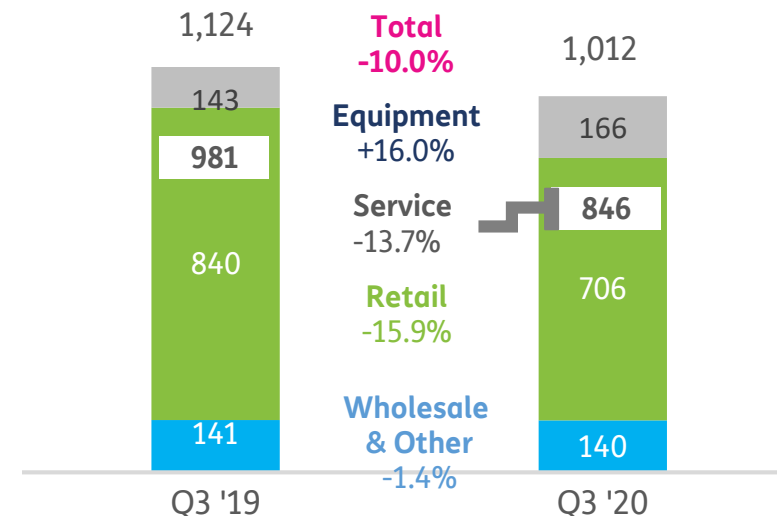
Mobile ARPU affected by discontinuities

TIM human ARPU
Change YoY %



Mobile Revenues

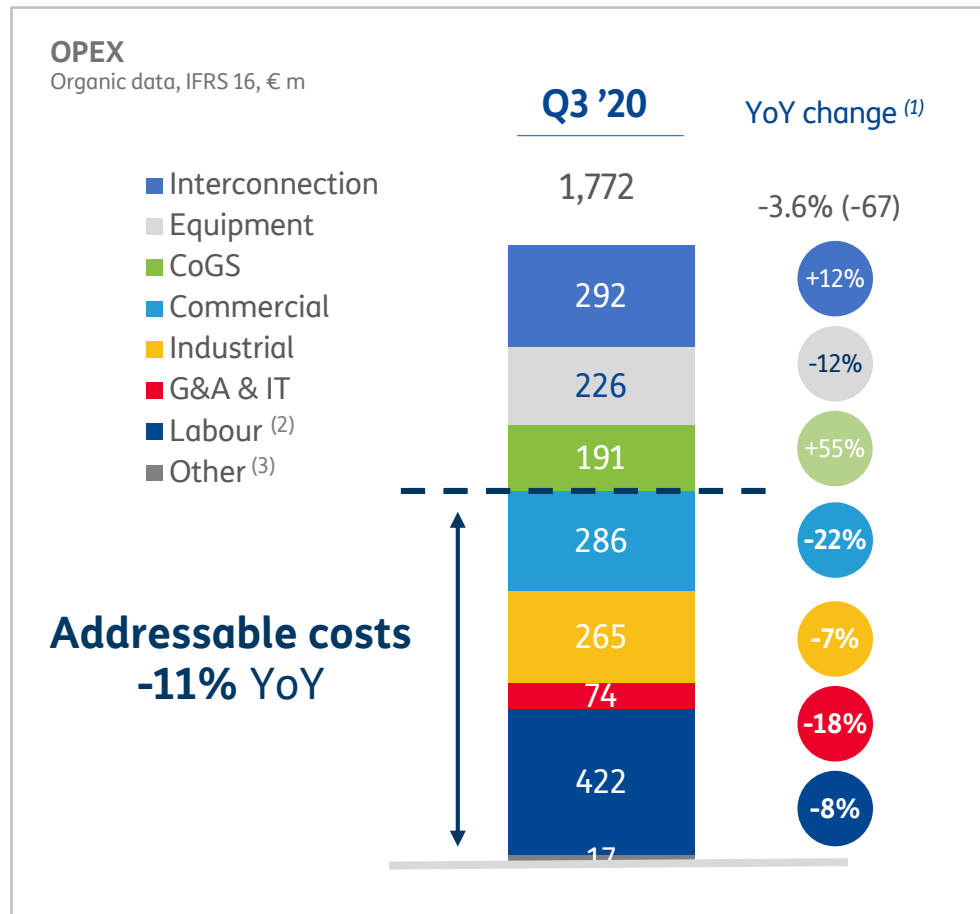
Organic data
€ m



ARPU reducing 1.7% YoY excluding 6.8pp of one offs, of which 4.7pp CSP cleaning and the rest from Roaming and Consip contract at lower prices

Consip contract renegotiated at higher prices. Benefit starting in 2021

Addressable cost base -11% YoY

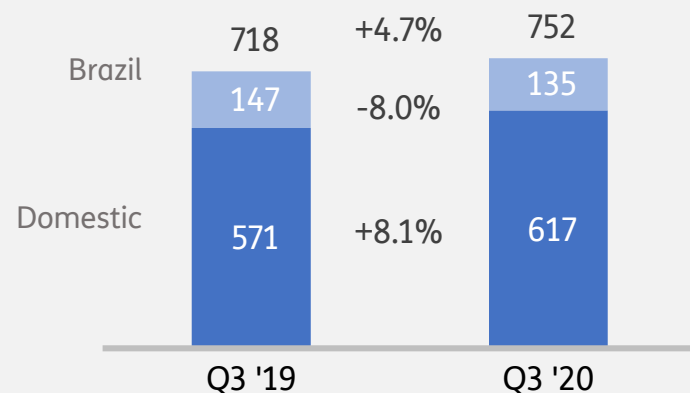


- **Labour** -8% YoY for FTE reduction (-2.6k YoY). Fall would be -12% net of ~€20m drag due to no solidarity in Q3 '20 vs. 3 days of solidarity in Q3 '19
- **G&A** down thanks to reduction in indirect personnel, civil building and IT costs
- **Industrial**: lower energy costs (-12% YoY thanks to lower prices and consumption) and lower industrial building costs
- **Commercial** benefit from stopped CSP services, lower bad debt and more digital sales
- **CoGS** increase related to IT revenue growth
- **Equipment** benefit from improved margins
- **Interconnection** YoY comparison affected by positive regulatory ruling in Q3 '19

CAPEX: strong push on FTTx coverage in white areas. FY guidance reiterated

CAPEX

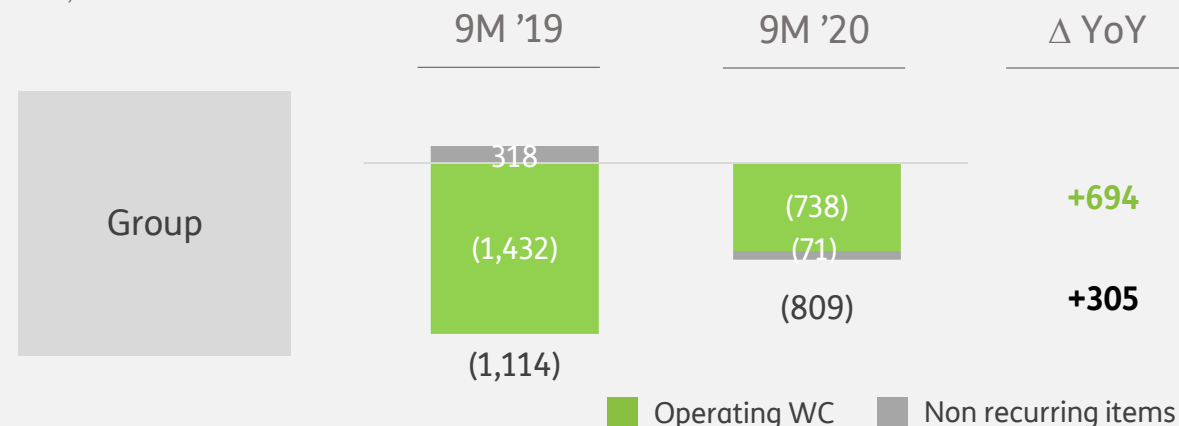
Organic data, € m



Slight **CAPEX** increase due to **expansion of addressable footprint in Italy** (>3k new cabinets opened in white areas in Q3, 10k YTD), partly offset by **further efficiencies**

Group Operating WC improving € 694m YoY

Net Working Capital
IFRS 16, € m



Group Operating Working Capital outflow improving €694m YoY

Brazilian tax benefits and FX more than offsetting domestic negative one offs⁽¹⁾(€264m)

€305m YoY improvement excluding YoY swing in non recurring items

EBITDA	1,720
CAPEX	(752)
ΔWC & Others	(29)
Op.FCF ex. Licence	939



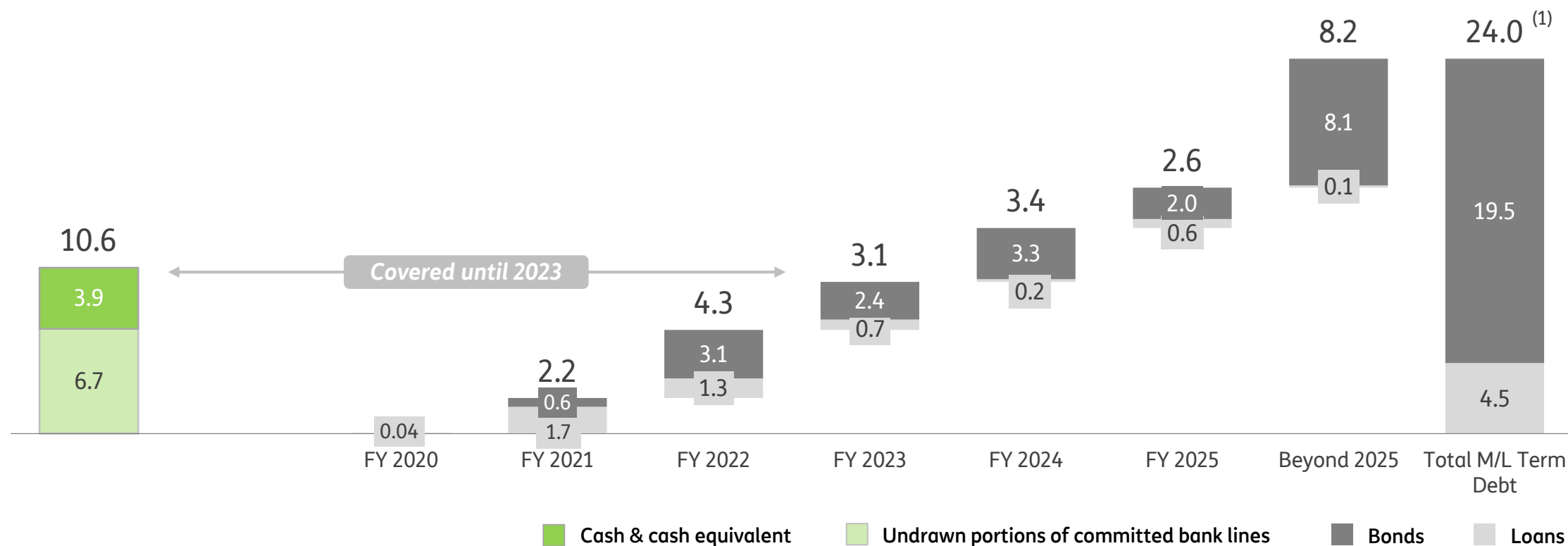
Q3 '20 Results

Liquidity margin - After Lease view

Cost of debt ~3.4%, flat QoQ, -0.2p.p. YoY

Liquidity Margin

Debt Maturities

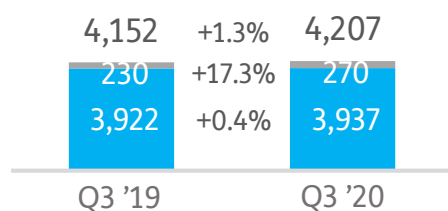


(1) € 23,954m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 513m) and current financial liabilities (€ 1,102m), the gross debt figure of € 25,569m is reached

TIM Brasil: positive topline and EBITDA performance despite COVID-19

Reported data, R\$m

Service Revenues recovery (+1.3% YoY), with positive contributions from both mobile (pre & post paid) and fixed



MSR +0.4% YoY, with Prepaid -2.0% (vs. -13.0% in Q2) and Postpaid +1.2% (vs. -1.7% in Q2)

FSR +17.3% YoY driven by TIM Live

Mobile

ARPU +6.3% YoY to 25.4 R\$/month
Prepaid ARPU +9.4% YoY
Postpaid ARPU +4.5% YoY⁽²⁾

TIM Live

Revenues +29% YoY
CB +16.8% YoY to 627k
ARPU +9.1% YoY to 89.2 R\$

ESG

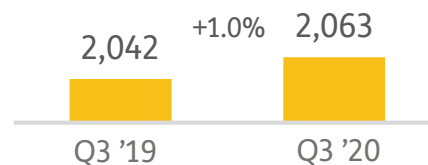
Listed in the **TOP 10 best ranked stocks** in the new B3 and S&P ESG index

Customer Satisfaction

Best NPS improvement in all segments since 2017

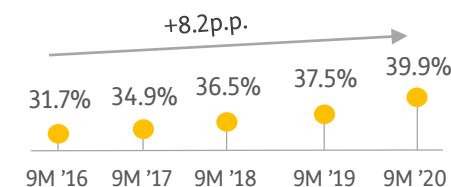
Top of mind
Back to mobile Top of Mind after 13y

EBITDA⁽¹⁾ expansion supported by revenue recovery and strict cost control, leading to the best margin in the market



9M'20 EBITDA margin: 47.2%

EBITDA margin (Pro-forma) ⁽³⁾



Infrastructure Development

FTTH coverage **+60% YoY**
3.1m HHs in 30 cities

The wider 4G coverage
89% availability

Massive MIMO rollout
127 cities already implemented

Conduct Adjustment Term
Solid delivery of commitments

Beyond the core

TIM + C6BANK

New offers launched in Q3
>700k open accounts so far
>55% share of recharges on C6 app

FCA | **TIM**
FIAT CHRYSLER AUTOMOBILES

Advancing in IoT
with the connected car partnership

COVID and ESG Update

COVID-19 brings new habits and public funding

New COVID-19 wave

- New **restrictions** on regional basis balancing health and economic goals
- Major public **aid measures**
- **Smart working** the new normal
- TIM implemented **new work organization** and restructured offices accordingly



Large public funding

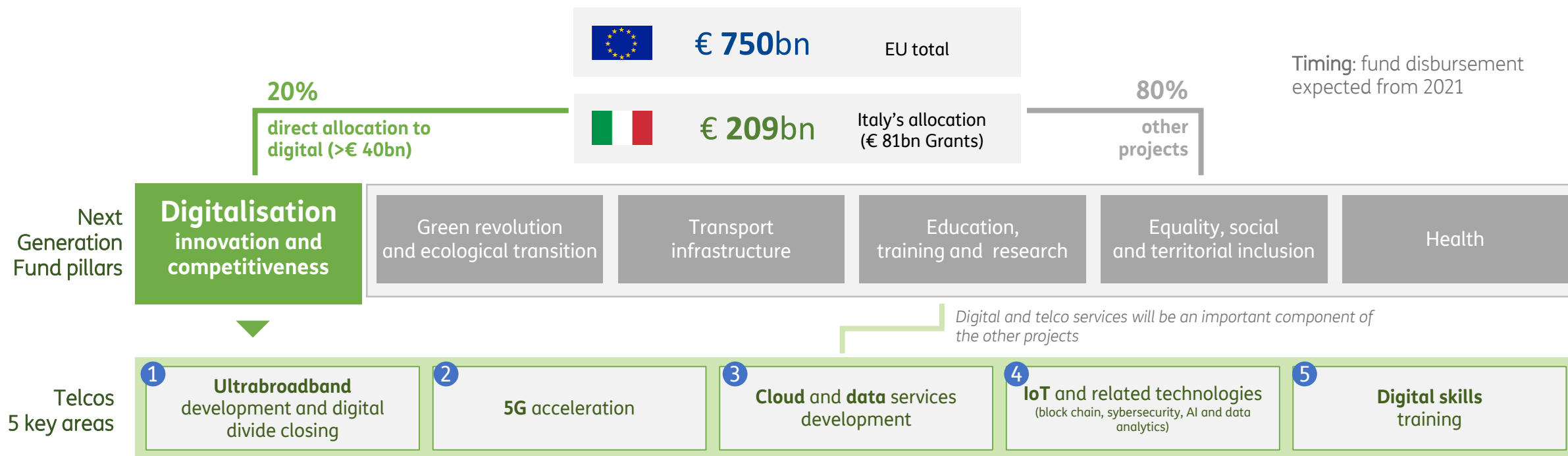
- Acceleration of **public funding**
- **Telecoms pillars** of the new digital, sustainable economy and lifestyle
- **2.7 billion euros** funding already approved for:
 - **Vouchers: € 1.1bn** - Phase 1 (€ 0.2bn for low income families) from Nov. 9th, 2020. Phase 2 expected by YE

Vouchers	Funding - € bn	Voucher value - €
Low income families	~0.3	500
Other clusters families	~0.3	200
30 Mbps companies	~0.1	500
1 Gbps companies	~0.4	2,000
Total	1.1	

- **Schools: € 0.4bn** - Public tender ongoing (offers by Nov. 23rd)
- **Grey areas: € 1.1bn** - Public tender in 2021
- **Next Generation EU Fund:** allocation for Italian digital estimated **>40 billion euros**

TIM best positioned for the largest financing program in recent history

The **Next Generation EU Fund** is set to trigger an unprecedented acceleration in **environmentally sustainable investments** and **digital transition**



Massive resources will directly and indirectly benefit the telco sector and TIM, thanks to its central role in improving Italy's sustainable growth

TIM: a sustainable company, with a clear ESG vision and a plan to improve

Sustainability today

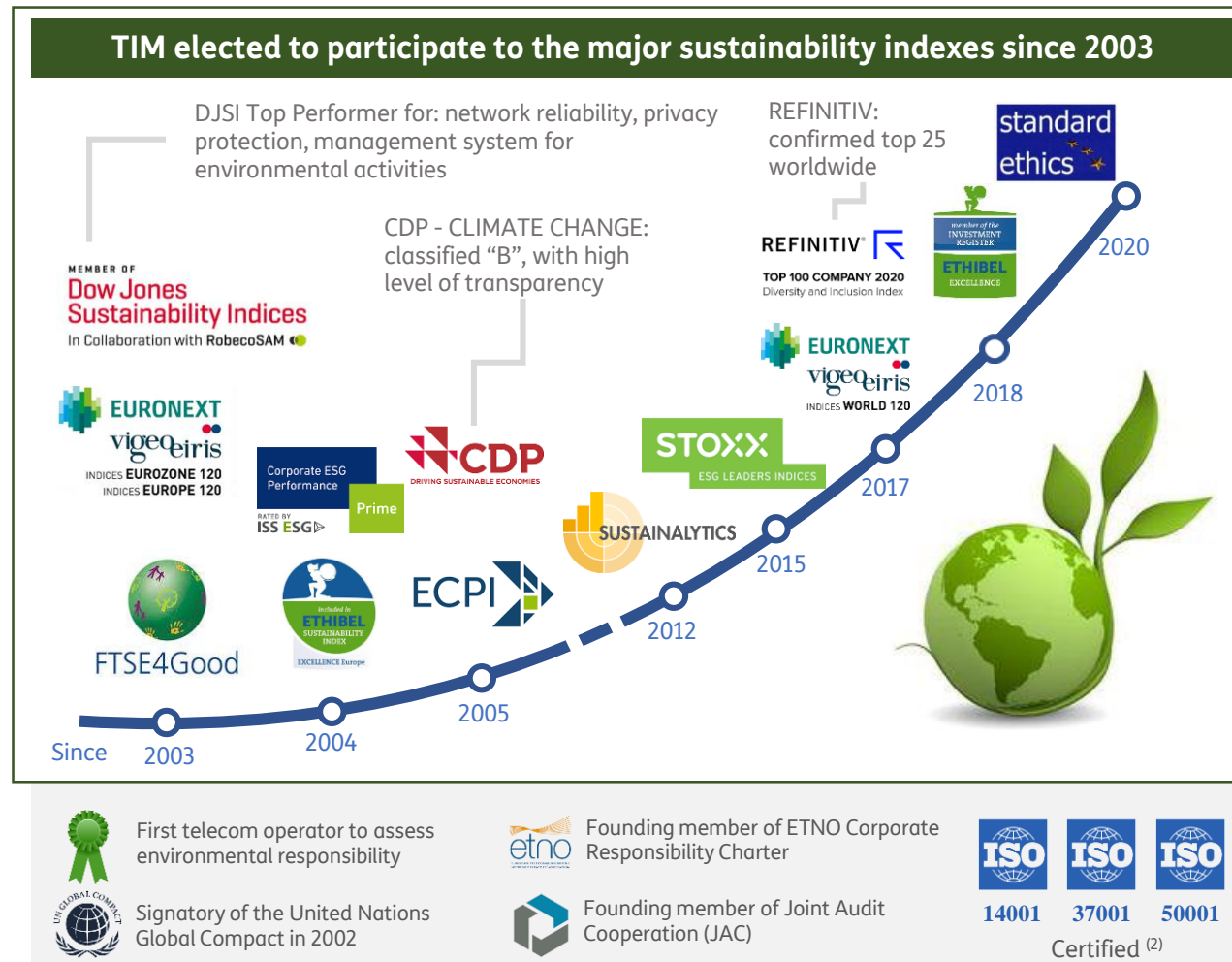
- TIM has long history of focus on sustainability and social responsibility
- Transparent reporting since 1998
- ~25% of institutional investors in TIM are ESG⁽¹⁾

Targets and Plan

- ESG embedded in core plan

Delivering and reporting

- Improving infrastructures, services and processes on a daily basis
- Tracking improvements against the plan



TIM action plan: status of 2020 achievements

Actions

Planned targets

E	Data center transformation 3.2k physical servers decommissioned (25%)	Network optimization 1k mobile sites modernized	Carbon neutral by 2030		
	Increased renewable energy on track for achieving +5pp target	Sparkle: first data center provider certified in Greece for renewable energy	Eco-efficiency	+50%	2025
S	Successful engagement survey Score +16pp vs 2019 on 76% participation (vs 64%)	Smart Working / Smart Building >40k employees in Smart Working	Indirect emissions	-70%	
			Renewable energy increase of weight on total energy (%)	+5pp /yr	
			Employees engagement	+14 p.p.	2022
	1,849 job rotations (~4% of domestic employees)	Churn Millennials contained (<2%)	Reskilled people	2,000	
G	New venture capital fund created by Tim Ventures with United Ventures, investing € 20m by YE	ICT business revenues increased +18% YoY in Q3	Churn of young employees	<15%	
			New VC fund size	€ 50m	2022
			IoT and Security services revenues	+20%	
	Launched «TIM Green» Line of reconditioned devices		Green smartphone	> 15%	2024

On track on all targets



Strategic Initiatives

Strategic initiatives update

FiberCop

- **Carve-out by year end**
- Authorization process undergoing. Closing expected by Q1
- Operations started through Flash Fiber

AccessCo

- Preparatory work continues
- Discussions with Government and CDP ongoing
- **Everything is ready on the technical side**, all advisors appointed

Develop TIM Brasil

- TIM Brasil, VIVO and Claro have submitted a **R\$ 16.5 billion binding offer for Oi mobile business**
- Auction planned by **December 14th, 2020**
- TIM has “stalking horse” position (i.e. right to top, approved by Administrative Court)

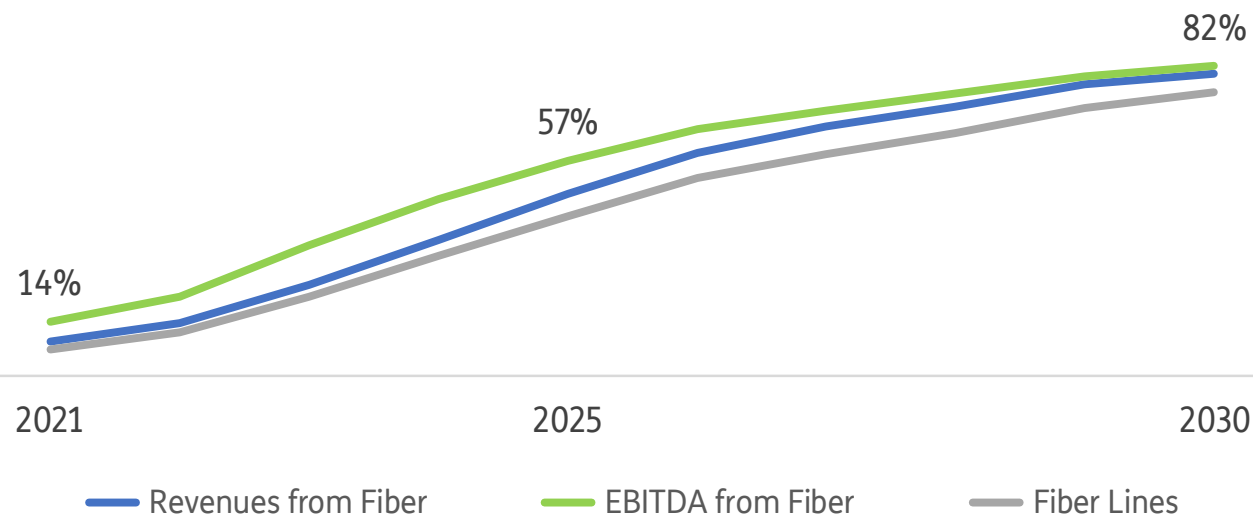
Monetize mobile towers, retaining joint control

- **Cash-in in Q4 € 1.6 bn**
- **Total debt reduction € 2.3bn**

**Total debt reduction
€ 2.3bn ⁽¹⁾**

FiberCop Financials in a nutshell ⁽¹⁾

EBITDA to evolve to FTTH in time...



FiberCop Financials	
Revenues 2021	€ 1.2 – 1.3bn
EBITDA 2021	~€ 0.9bn
Net Debt / EBITDA 2021	3.4x
EBITDA - CAPEX	Positive from 2025
CAPEX / Sales at regime	<10%

FiberCop value to grow over time
thanks to switch in the mix from copper towards fiber

Cloud Services & Data Centers NewCo carved out. Already yielding results

NewCo Set up completed

- **Cloud and Data Center carve-out approved** by TIM Board of Directors. **NewCo kick off from Q1 2021**
- Covid accelerating cloud adoption – TIM leadership position reconfirmed
- NewCo portfolio includes proprietary, Tim, Google & 3rd parties solutions. Offerings will be channeled by TIM sales organization & Market segments
- Management Team with new hires in key roles is in place
- **3Q growth in line to deliver € 0.5bn revenues in 2020** (pro-forma)

TIM-Google Cloud Partnership delivering results

- **Deals** with major corporations signed, experiencing excellent market acceptance
- **TIM internal learning & development workstream** successfully progressed to target >4,000 TIM employees engaged in on-demand and classroom training
- **>1,000 Google certifications** and credentials obtained
- First **TIM applications migrated** to Google Cloud
- Construction of **hyperscale data centers** in Rome, Milan and Turing undergoing

NewCo targets reconfirmed

(Consolidated line by line in TIM domestic)

Revenues 2024
€ 1bn

2020-24 sales
CAGR c. 20%

EBITDA 2024
€ 0.4bn

Closing Remarks

Closing remarks

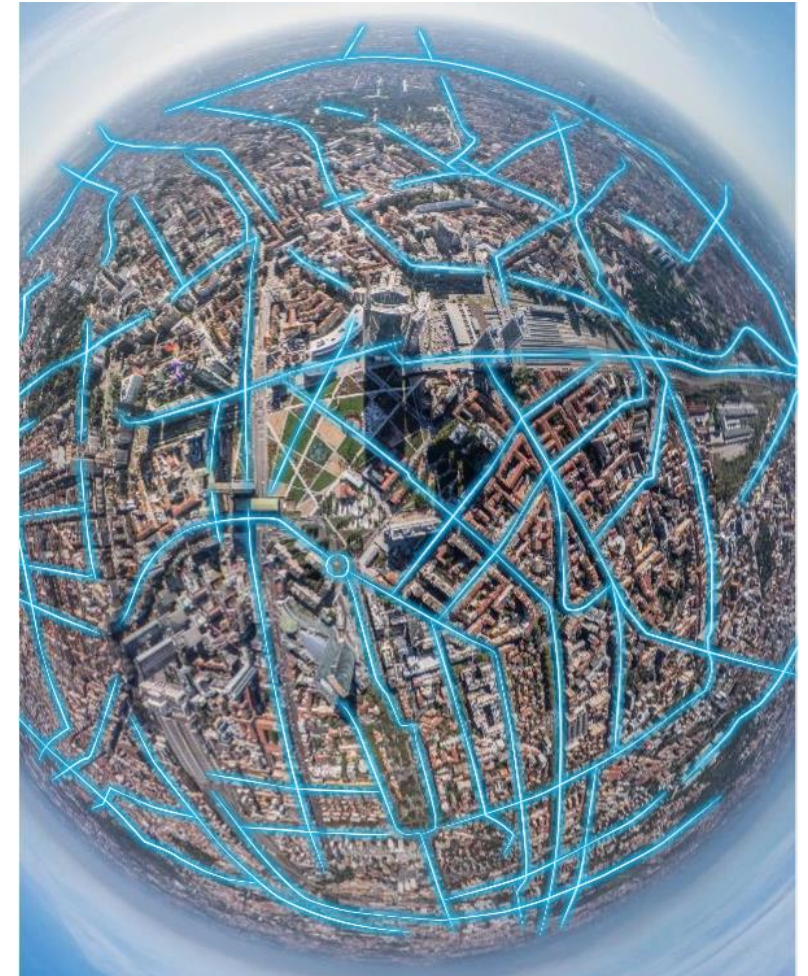
On track for revenues & EBITDA stabilization in 2021

Expect Q4 better than Q3

Financial and ESG guidance reiterated

Government and Next Generation EU Funds increase confidence in the telco sector's perspectives

Strategic initiatives on track

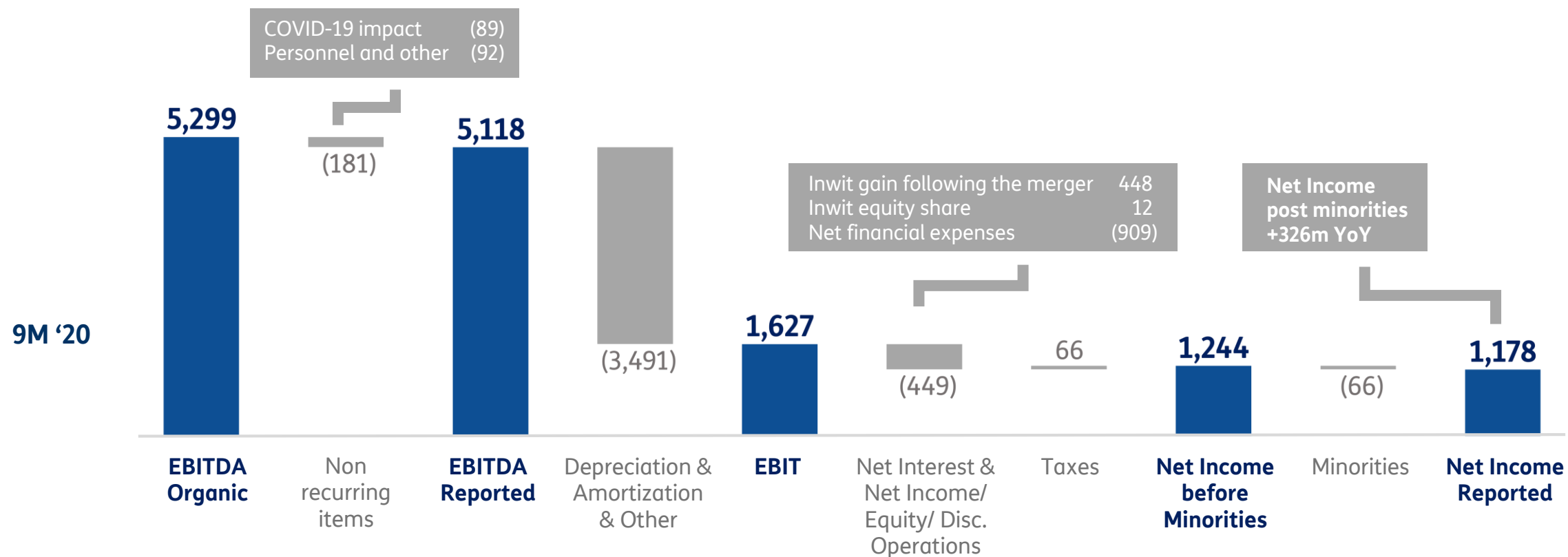


Q&A

Annex

Net Income +14% YoY

Reported data, € m, Rounded numbers



9M '19	5,716	783	6,499	(3,758)	2,712	(1,121)	(498)	1,093	(241)	852
Δ vs. 9M '19	(416)	(965)	(1,381)	296	(1,085)	672	564	151	175	326

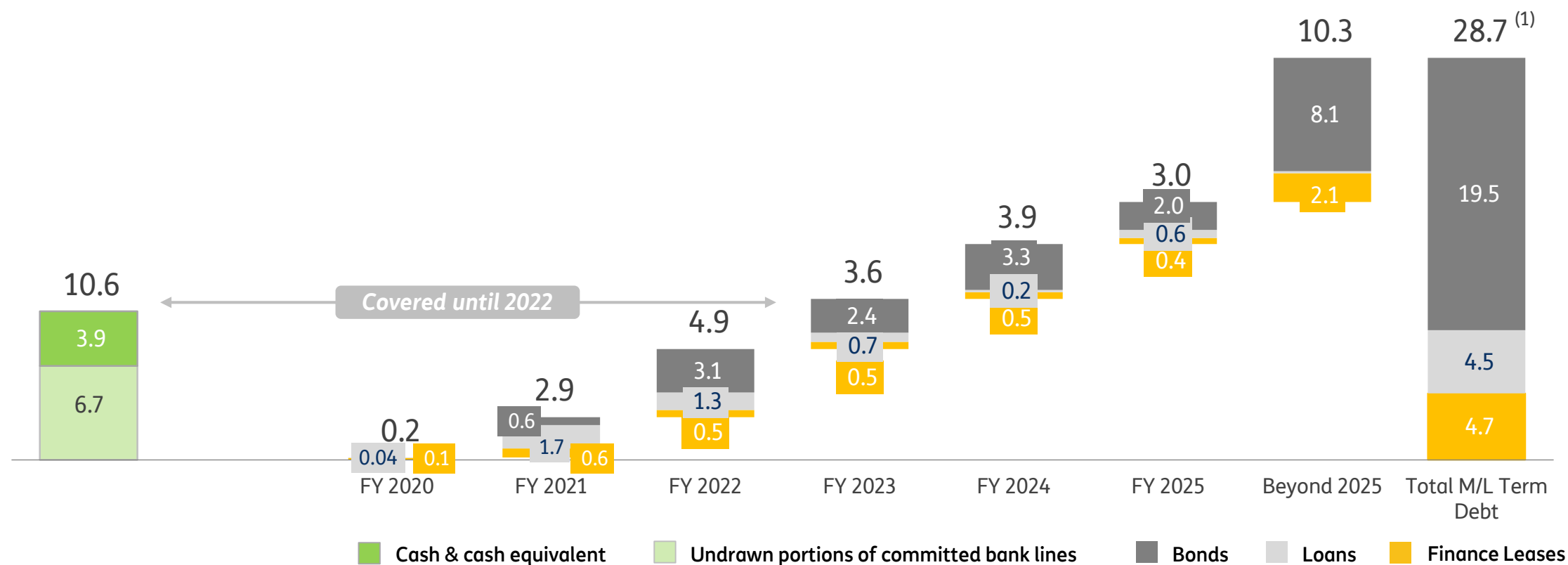
Liquidity margin - IFRS 16 view

Cost of debt ~3.7%*, -0.1p.p. QoQ, -0.5p.p. YoY

* Including cost of all leases

Liquidity Margin

Debt Maturities

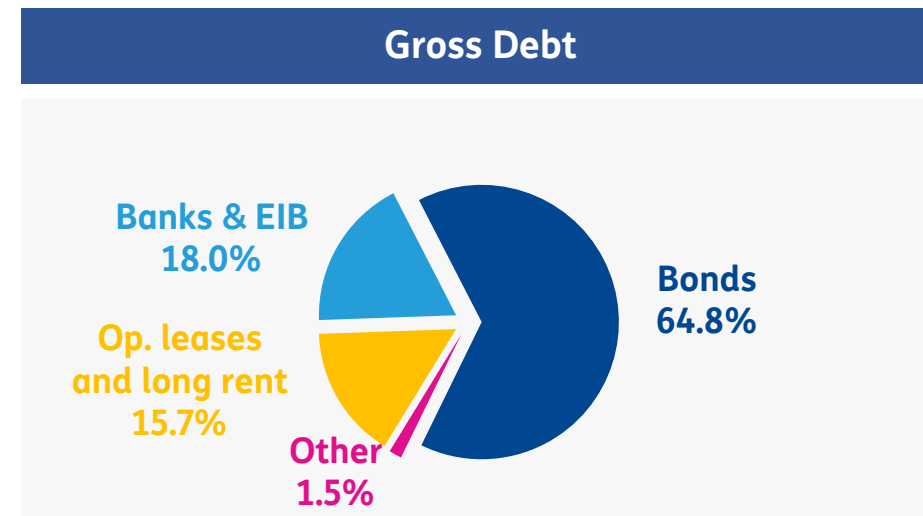


(1) € 28,703m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 514m) and current financial liabilities (€ 1,102m), the gross debt figure of € 30,319m is reached

Well diversified and hedged debt

	NFP adjusted	Fair value	NFP accounting
GROSS DEBT			
Bonds	19,653	311	19,964
Banks & EIB	5,450	-	5,450
Derivatives	192	1,659	1,851
Op. leases and long rent	4,750	-	4,750
Other	274	-	274
TOTAL	30,319	1,970	32,289
FINANCIAL ASSETS			
Liquidity position	3,908	-	3,908
Other ⁽¹⁾	942	1,807	2,749
TOTAL	4,850	1,807	6,657
NET FINANCIAL DEBT	25,469	163	25,632

* Refers to positive MTM derivatives (accrued interests and exchange rate) for € 801m, financial receivables for lease for € 76m and other credits for € 65m



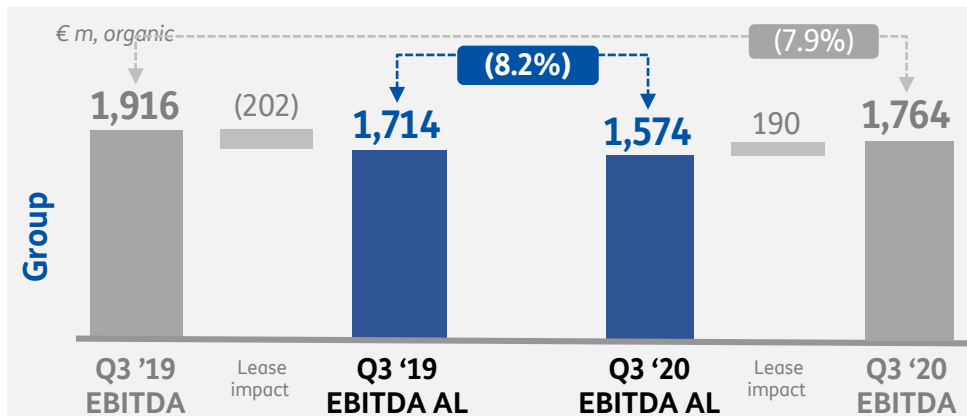
Average m/l term maturity:
6.8 years (bond 7.1 years only)

Fixed rate portion on medium-long term debt ~70%

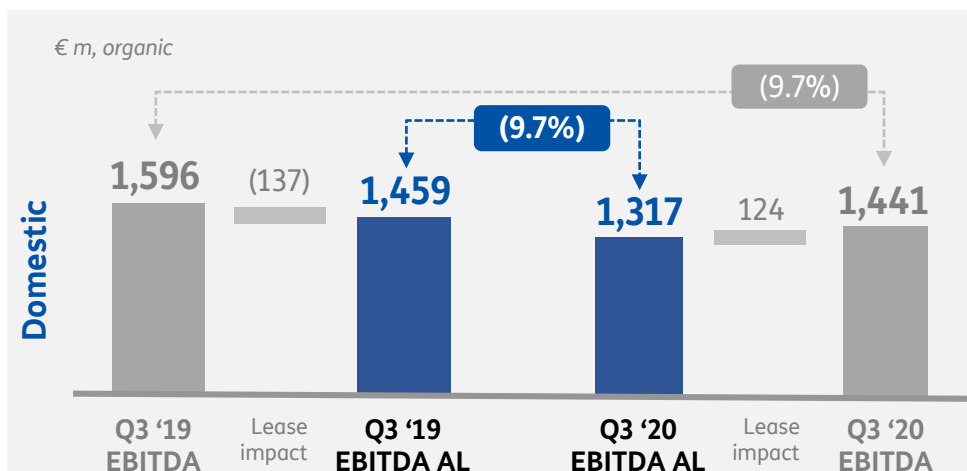
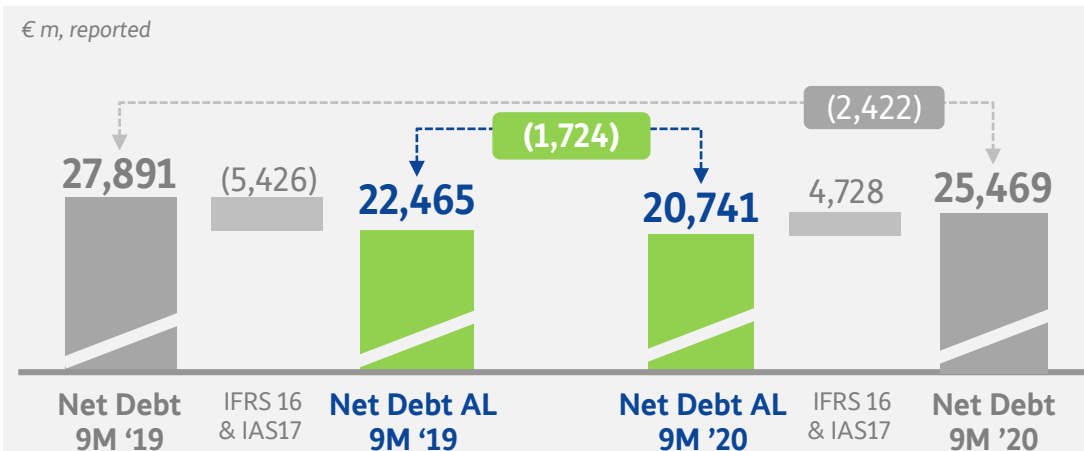
Around **26% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and **fully hedged**

After Lease view

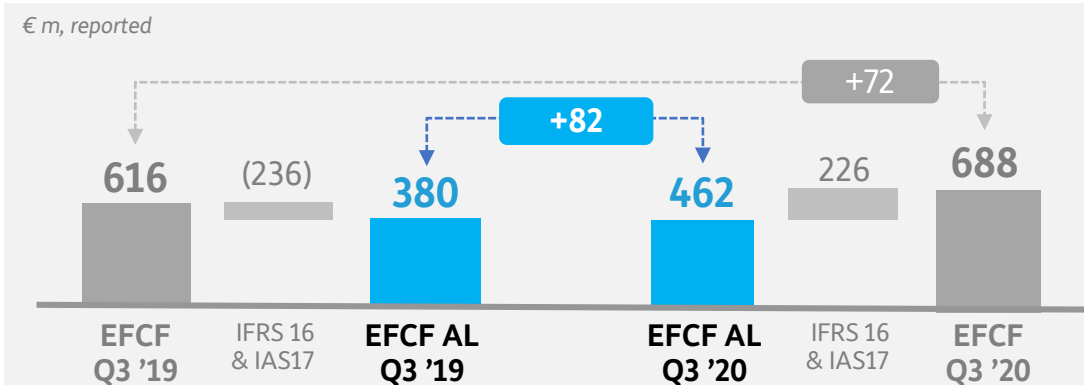
EBITDA After Lease



Net Debt After Lease



Equity Free Cash Flow After Lease



ESG Guidance

		2020-'22	2025	
Environment	CO2 eq. emissions reduction vs 2019	-30%	-70%	Carbon neutral 2030
	Eco-efficiency		+50%	
	Renewable energy <small>% increase of weight on total energy</small>	+5pp / year		
Social	Employees engagement	+14p.p. ⁽¹⁾		
	Reskilled people	2,000		
Governance	Refurbished smartphones	increase	>15% ⁽²⁾	
	KPI Supply Chain	Reinforce ESG KPIs in supply chain Increase eco-materials		

For further questions please contact the IR team



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