TIM GROUP

Q2 ‘21 RESULTS

Building growth & portfolio optimization

28 July 2021

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 Q2’21 and H1’21 of the TIM Group are the same as those adopted in the TIM Group Annual Audited Consolidated Financial Statements as of 31 December 2020, to which reference can be made, except for the amendments to the standards issued by IASB and adopted starting from 1 January, 2021.
Please note that the limited review by the external auditors (E&Y) on the TIM Group Half-year Condensed Consolidated Financial Statements at 30 June 2021 has not yet been completed.

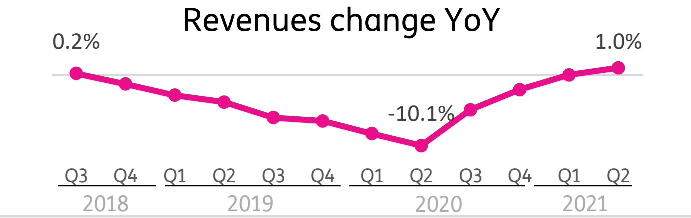
Alternative Performance Measures
The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM 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;
* **Adjusted Net Financial Debt After Lease**, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16;
* **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.

OPERATIONS UPDATE

“Beyond connectivity” plan update

	What happened in Q2	KPIs
ESG	▪ **CSI mobile** improved further [(1)] ▪ Increased target for renewable energy and indirect emissions ▪ Leaner organization, with pre-retirements	CSI mobile **+0.1% QoQ,** after +0.5% in Q1 **100% renewable** by 2025 (from 51%) **~1k** exits in H1; more planned in H2
Domestic	▪ **Fixed lines stable, UBB net adds strong, churn lower** QoQ Serie A + Champions League from July ▪ **Best mobile coverage and fastest 5G network in Italy** [(2)] **Mobile churn** lower QoQ (**best in 14 years**) ▪ **ICT growth** remains strong thanks to Group’s factories	Retail UBB net adds **+231k (0.5m H1)** Churn **3.4%** in fixed, **3.7%** in mobile ICT revenues **+28.5%** YoY
Brazil	▪ Strong **acceleration in revenues growth** ▪ **ARPU growth** in all segments ▪ **EBITDA growth** higher QoQ	Service revenues **+8.7%** YoY, +5.4pp QoQ ARPU **+10.3%** YoY EBITDA [(3)] **+6.4%** YoY, +1.6pp QoQ
Group	▪ **Revenues back to growth** first time since Q3 2018 ▪ Extraordinary investments to set **foundation for growth** ▪ **Net debt** AL **-€ 3.7bn** YoY, on track for ‘23 2.6x leverage target	Revenues change YoY (chart below)



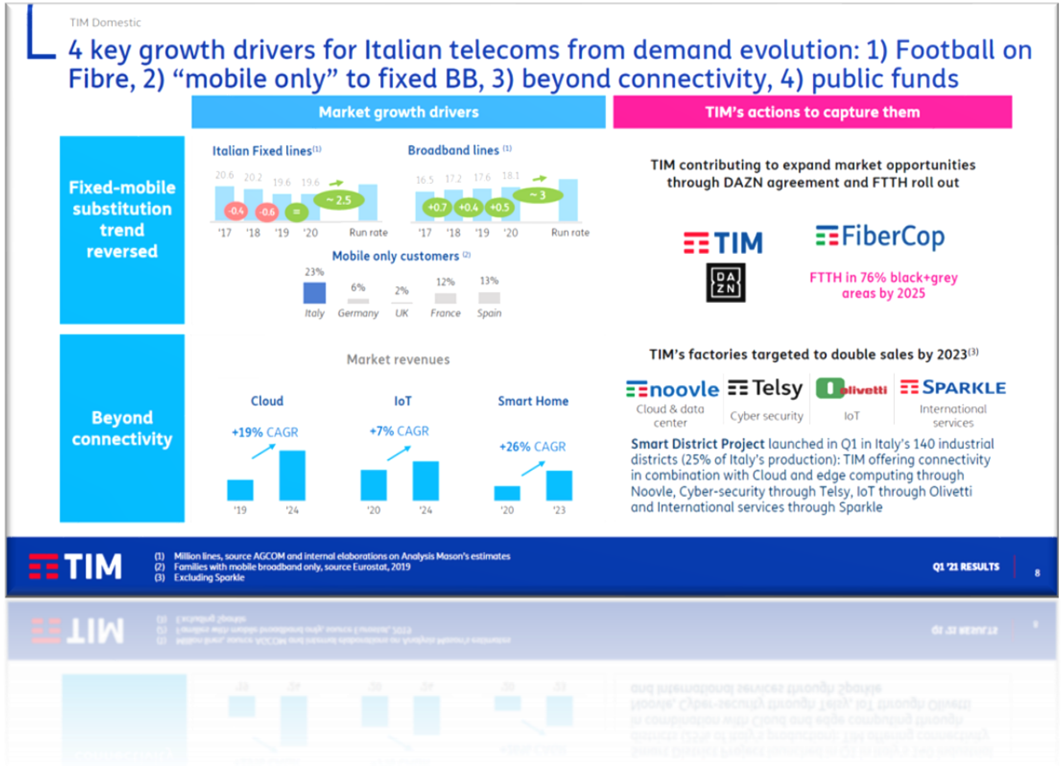
---

(1) Customer Satisfaction Index Q2 ‘21 vs. Q1 ’21
(2) TIM awarded by Ookla for the best mobile coverage in Q1-Q2 2021 and top position for 5G speed, with a median download speed of 283 Mbps
(3) Net non-recurring items

TIM Domestic

4 key growth drivers described in Q1 are materializing

Q1 Results



TIM Domestic

4 key growth drivers for Italian telecoms from demand evolution: 1) Football on Fibre, 2) "mobile only" to fixed BB, 3) beyond connectivity, 4) public funds

Market growth drivers

TIM's actions to capture them

Fixed-mobile substitution trend reversed

Italian Fixed lines[1]

Broadband lines [1]

Mobile only customers [2]

TIM contributing to expand market opportunities through DAZN agreement and FTTH roll out

FTTH in 76% black+grey areas by 2025

Beyond connectivity

Market revenues

TIM's factories targeted to double sales by 2023[3]

Smart District Project launched in Q1 in Italy's 140 industrial districts (25% of Italy's production): TIM offering connectivity in combination with Cloud and edge computing through Noovle, Cyber-security through Telsy, IoT through Olivetti and International services through Sparkle

(1) Million lines, source AGCOM and internal elaborations on Analysis Mason's estimates
(2) Families with mobile broadband only, source Eurostat, 2019
(3) Excluding Sparkle

Q1 '21 RESULTS | 8

1	Fiber to the Footbal (FTTF)	TIM became the "home of the football"
2	Mobile only returning to fixed BB	Italian market fixed lines grew +450k YoY in Q1 BB +700k (1)
3	Beyond connectivity	TIM factories: the growth engine Revenues from digital services on track to more than double in 3-years
4	Public Funds	Italy's Recovery and Resilience Plan approved by EU

---

(1) Source AGCOM

1st growth driver ✓ TIM becomes the "home of football" for a c. 5m market expected to move from satellite to fibre or from piracy to paying

1 Fiber to the Football (FTTF)

TIMVISION "Football and Sports" launched in July,
including in a single package the most complete content offering

- **DAZN** with full **Serie A TIM,** full **UEFA Europa League** and the best of **UEFA Conference League**
- **Mediaset Infinity+** with **UEFA Champions League** (104 out of 137 matches per season)
- Full Tokyo 2020 **Olympics** with **Eurosport Player**, including the channel **Eurosport 4K** in **exclusive** on **TIMVISION** (1)
- **Many other sports** competitions on DAZN, Eurosport Player and TIMVISION (2)
- **TIMVISION**, **discovery+** and **Mediaset Infinity+ entertainment** catalogue: movies, TV series, shows, documentaries, cartoons and original productions
- **TIMVISION Box** to **easily access** all this **contents** and **more** (i.e. Mediaset Free-to-air DTT channels and Prime Video App* with the remaining UEFA Champions League Matches)

* Prime subscription required (not included in TIMVISION "Football and Sports" package).

€29.99/month
(€19.99 till July 28th) (3)

€34.99/month
(€24.99 till July 28th) (3)

€39.99/month
(€29.99 till July 28th) (3)

€44.99/month
(€34.99 till July 28th) (3)

Serie A TIM and main UEFA competitions: offering matrix

	DAZN	Mediaset Infinity+	Amazon Prime Video	Mediaset	SKY	TIMVISION (6) 
Serie A TIM	Full				3 out of 10 matches per matchday	Full (DAZN)
UEFA Europa League	Full				Full	Full (DAZN)
UEFA Champions League		104 out f 137 matches	16 out of 137 matches	17 out of 137 matches (including the final)	121 out of 137 matches (including the final)	104 out of 137 matches (Mediaset Infinity+) (6)
Current price (€/month)	**€29.99** (€19.99 till July 28th) (4)	**€7.99**	**(included in the Prime subscription)**	**Free-to-air**	**€35,90** (€30,90 till Sep. 30th) (5)	**€29.99** (€19.99 till July 28th) (3)

(1) Eurosport Player included for 12 months with TIMVISION (2) Among others on DAZN, Eurosport Player and TIMVISION: Serie B, La Liga, English FA Cup, MotoGP, cycling events (3 Grand Tours, with exclusive Vuelta and the Classics), tennis (3 Grand Slam), basketball (Serie A), golf (with exclusive PGA Tour and European Tour), all winter sports, motors (24 Hours of Le Mans agreement renewed), UEFA Women's Champions League, Women's Football Serie A (3) 12 months promotional price for subscriptions until July 28th. Activation cost €9.99, TIM Vision Box included on loan for free use; Infinity+ included for 12months (4) 12 months promotional price for subscriptions until July 28th (5) Sky Smart offer via Internet with 18 months commitment required. Includes the mandatory Sky Tv entertainment pack and other sports contents (i.e. full Serie B, UEFA Conference League, Formula1). Activation cost € 9,00 (6) The remaining UEFA Champions League matches (on Amazon Prime Video App and Mediaset Free-to-air channels) available on the TIMVISION Box*

2 Mobile only returning to fixed BB

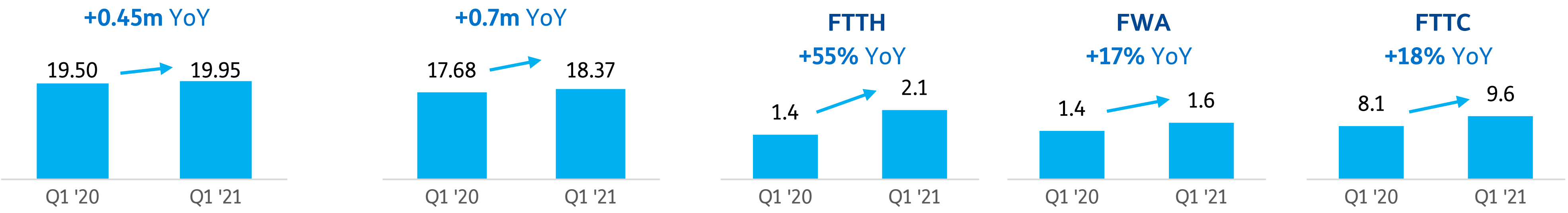
2nd growth driver ✓
Italy’s fixed market back to growth

Fixed market growing…

…UBB accelerating (mainly FTTH/FTTC)

Fixed lines | **Broadband lines** | **Ultrabroadband lines**

Italian market



Network speed > 100Mbps for >54% of active lines

TIM

TIM leading the fight against digital divide

TIM UBB Market share change YoY

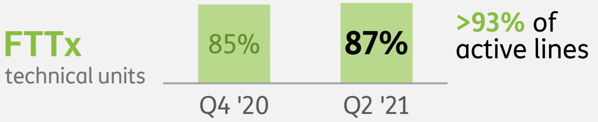
FTTH	FWA	FTTC
+4pp	+5pp	~flat

Source: AGCOM report Q1 ’21

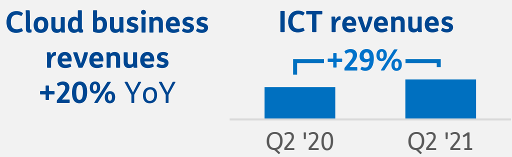
Market growth helping TIM's "Fix the fixed" to deliver results even in challenging environments. FSR growth expected for H2

2 Mobile only returning to fixed BB

UBB coverage

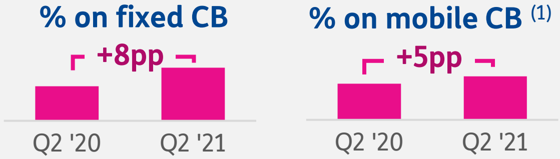


digital for business

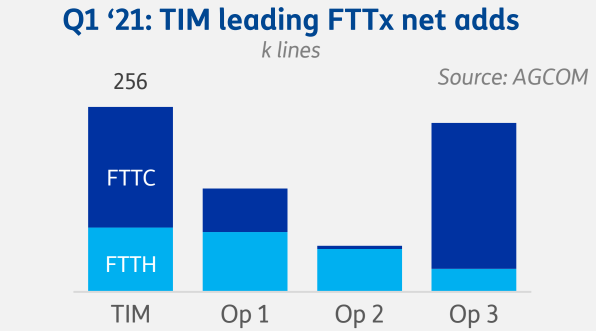


digital and **convergence** for consumer

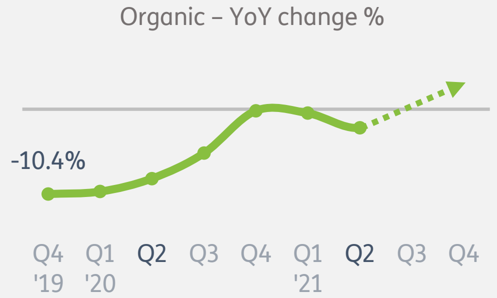
direct payments



higher **UBB penetration**

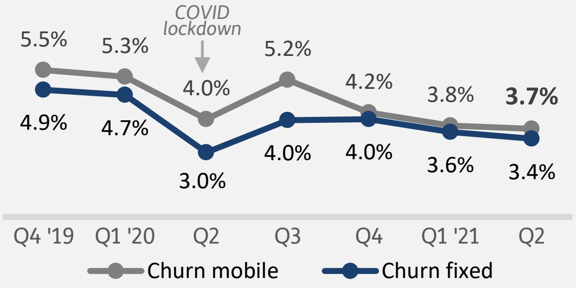


Fixed Service Revenues towards growth



Football to further stimulate UBB penetration and bring top line growth

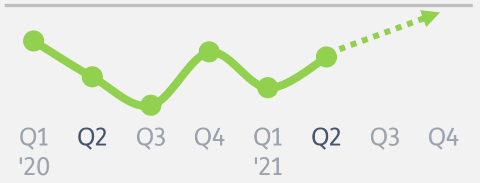
lower **churn**



Mobile Service Revenues towards stabilization

Organic – YoY change %

One-offs affecting Q1 and Q2 to fade away in coming quarters



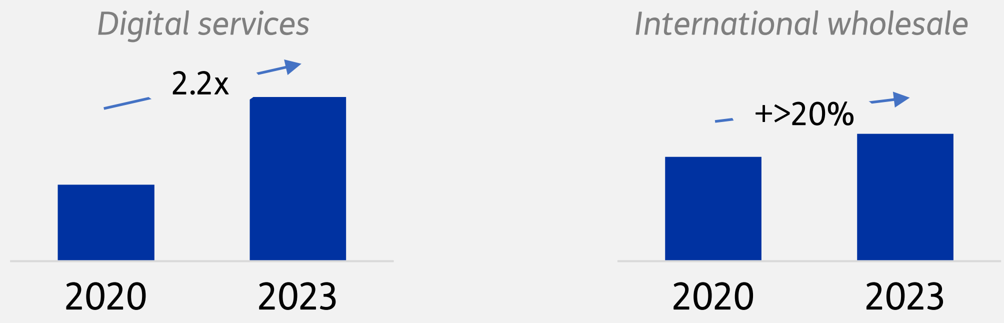
---

(1) Data only lines excluded

3rd growth driver ✓
"beyond connectivity" engine of growth, creating value and optionality

TIM factories respond to clients' needs increasing satisfaction

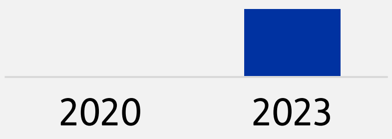
Revenues
2020-'23



- noovle: Cloud and data centers
- olivetti: IoT
- Telsy: Cyber security
- SPARKLE: International services

- **Increasing customers' demand of digital services**
- **Strong cross-synergies among factories and with TIM's core business**
- **Much higher market multiples than TIM and the telco sector: 10-20+x EV/EBITDA**

Football ups stickiness



TIMVISION

Incremental revenue streams:

- Subscriptions & set-up fees
- Modem sales
- Connectivity (additional customers, lower churn)

Telsy and Olivetti re-engineered as startups to ride IoT and cybersecurity growth prospects

	olivetti		Telsy	
	Merchant Services	**IoT Smart Services**	**Cybersecurity**	**Crypto**
	Electronic cash registers and POS, **business management software** and **digital payments**	**Industrial IoT**: IoT services and sensors for prioritized verticals **Urban IOT:** city control platforms	**B2B managed security services offering** including specialized consulting and high growth/ margin products	**B2G** innovative systems capable of **securing** and **encrypting communications**
Addressable market	**~5 bn€** in 2024 4-5% CAGR	**~4.5 bn€** in 2024 10% CAGR	**~1.9 bn€** in 2024 7% CAGR	**~€20m** in 2024 20% CAGR
Margin	**25-30%**	**10-15%**	**25-30%**	**~€40-50%**
Market share ambition 2024	**5%**	**5%**	**12%**	**60-80%**

Noovle and Sparkle on track to reach their ambitious targets

noovle

Leading Italian cloud and infrastructure provider

- Q2 performance confirms guidance with revenues +20% YoY
- In 6 months Noovle has signed more than 1,100 contracts
- Delivering data center spaces for Google regions in line with plan
- Noovle is now a “Società Benefit” (for profit and sustainability)

Q2 ‘21 revenues
+20% YoY

Targets 2024 [1]
Revenues: **€1bn**, EBITDA: **€0.4bn**

SPARKLE

Growth strategy: targeting new segments and geographies

Wholesale market: consolidate leadership

- **New infrastructures** in high growing geographies
- **Development of major Hub areas**

Panama Digital Gateway
4,800 sqm
5MW

Enterprise market: implementing a new model

- **New Enterprise Model.** Started to increase international enterprise customers base thanks to new approach and portfolio
- **Sparkle becoming a core connectivity and E2E enterprise partner** with new integrated portfolio of Security, IoT and Cloud services in collaboration with TIM Factories

Q2 ‘21 service revenues
+13% YoY

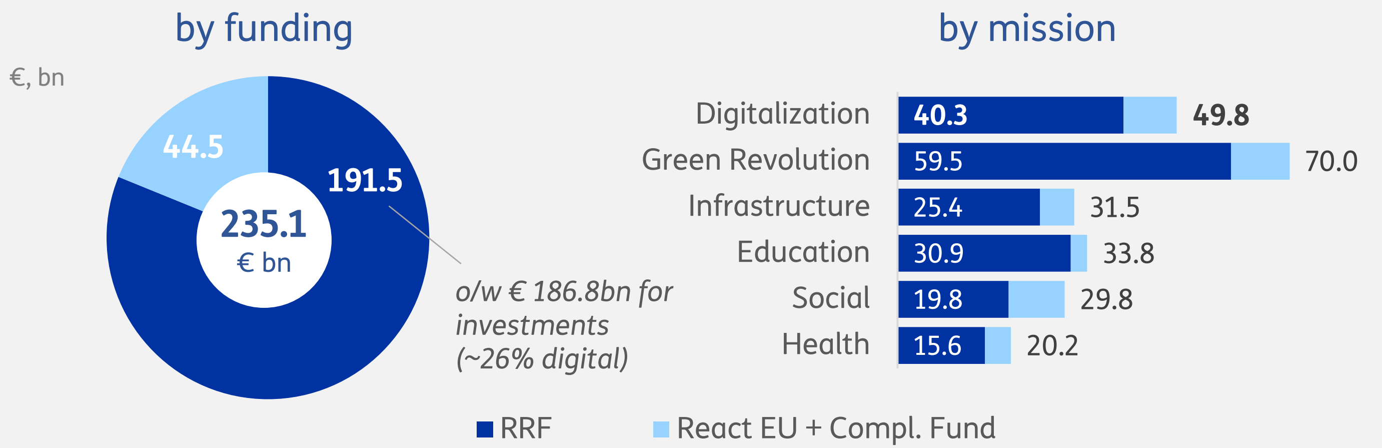
Target 2023
double-digit EBITDA CAGR

---

(1) Target provided before Recovery Plan

4th growth driver: EU approved Italy's Recovery and Resilience Plan and unlocked €24.9bn

Italian Recovery and Resilience plan (€ 235.1bn)

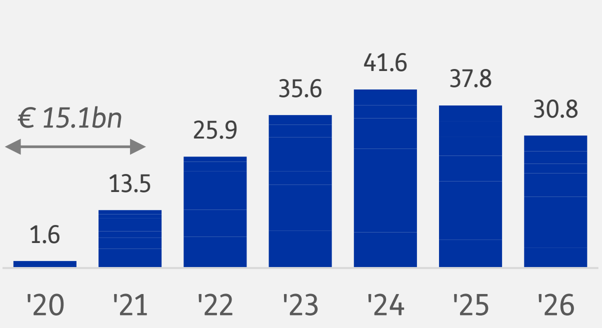


Vouchers	€0.2bn (phase 1)	Ongoing, >55% still available as of June 30th
	€0.9bn (phase 2)	Delayed after the summer
Schools	€0.4bn	68% already assigned in public tender
"Italia a 1 Giga" plan	€1.1bn → €3.9bn	Consultation ongoing, tender in Q1 2022
"Italia 5G" plan	€2.0bn	Consultation ongoing, tender in Q1 2022

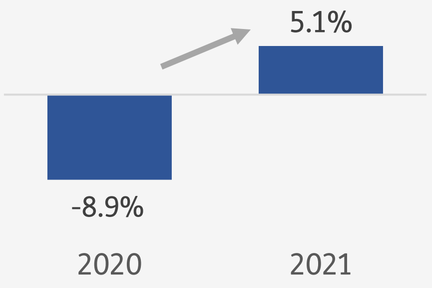
Schedule of investments

RRF investments by year

€, bn (€ 186.8bn investments, RFF)



New projection for Italy's GDP growth (1)



Recovery & Resiliency Plan expected impact on Italy's GDP 16pp growth in 2021-'26 (2)

---

(1) Source: Banca d'Italia ("Macroeconomic projections for the Italian economy - July 2021")
(2) Source: Ministry of Economy and Finance

Guidance embodies TIM-DAZN agreement & market impact of voucher plan delay
Expected benefits from Recovery Plan and Oi mobile acquisition not included yet

YoY growth rates, IFRS 16 / After Lease	**Group**		**Domestic**		**Brazil** (1)	
	2021	**2022-'23**	**2021**	**2022-'23**	**2021**	**2022-'23**
Organic Service revenues	Stable to Low single digit growth	Low to mid single digit growth	Stable	Low to mid single digit growth	Mid single digit growth	Mid single digit growth High single digit growth (CAGR '20-'23) with Oi
Organic EBITDA AL	Low to mid single digit decrease	Mid single digit growth	Mid single digit decrease	Mid single digit growth	Mid single digit growth	Mid single digit growth Double digit growth (CAGR '20-'23) with Oi
CAPEX			~€ 3.0-3.1 bn according to football take-up	~€ 2.9 bn per year	~R$ 13.0 bn ~R$ 13.5 bn with Oi	
Eq FCF AL	**Cumulated ~€ 4.0 bn**	*Net of ~€0.7bn tax realignment cost*				
Adjusted Net Debt AL	**~€ 16.8 bn** excluding Oi (2)	**2.6x** Net Debt AL / EBITDA AL (3) by 2023				
Dividend	*ordinary*: **floor of € 1 cent per share**, aim to distribute 20-25% of yearly Equity FCF subject to deleverage execution *savings*: €2.75 cents per share throughout 2021-23					

IFRS 16/After Lease – Group figures @ average exchange-rate actual 5,9 REAIS/€
(1) Guidance based on IFRS 16 for Brazil's EBITDA
(2) Excluding Oi's mobile acquisition
(3) Based on Organic EBITDA AL; 2.7x based on Reported EBITDA AL

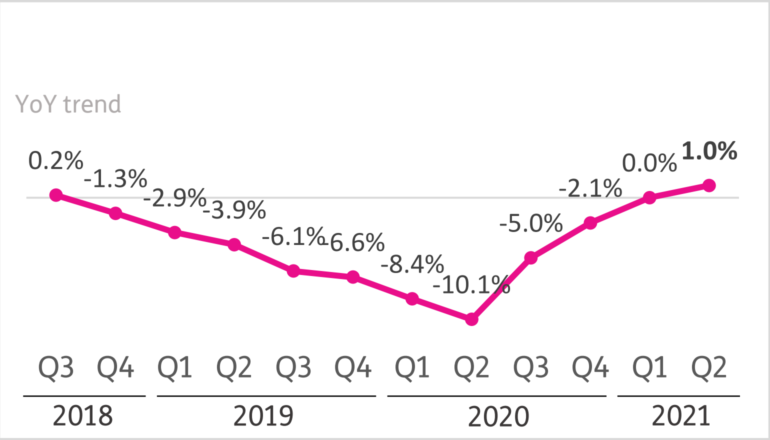
Q2 ‘21 FINANCIAL & OPERATING RESULTS

TIM Group

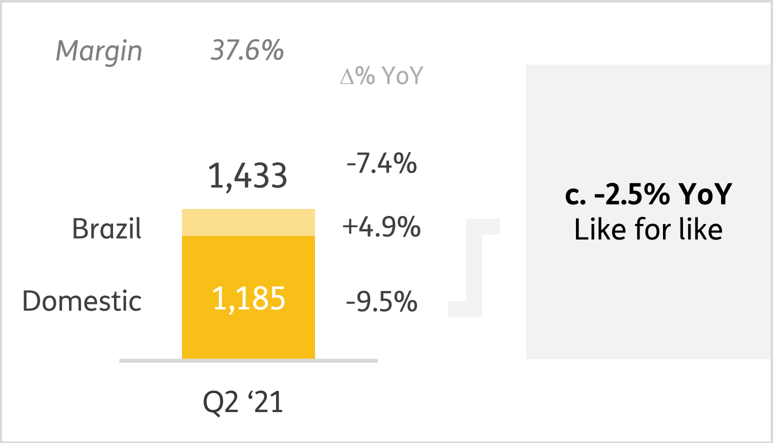
Group revenues back to growth first time since Q3 '18; services 0.8pp better QoQ

Organic data (1), IFRS 16, € m

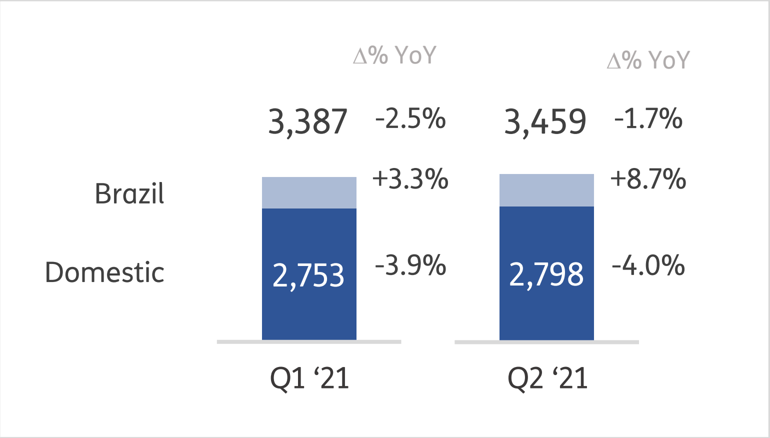
Total revenues



EBITDA after lease



Service revenues



Q2 total revenues +1.0pp QoQ (domestic -1%)

Service revenues +0.8pp QoQ (domestic flat)

Domestic EBITDA AL like for like -2.5% YoY:

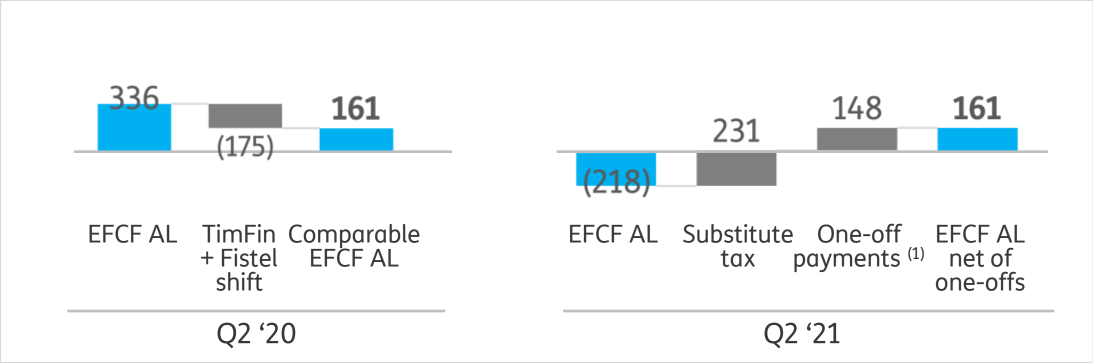
- c. 5pp drags from labour cost discontinuities, e.g.: 1) 5 solidarity days vs. 12 in 2020, 2) mandatory holidays in 2020, 3) indirect cost of labour. These drags are not expected to be repeated in H2
- > 2pp drags from football launch and factories' start up costs

---

(1) Excluding exchange rate fluctuations, non-recurring items and change in consolidation area

Q2 cash generation and debt affected by one-off payments
3-year €4bn Equity FCF guidance reiterated

Equity free cash flow after lease



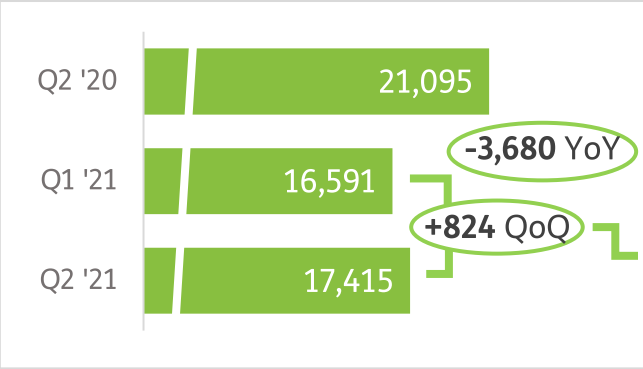
Q2 '21 EFCF AL € 161m net of:

- **231m substitute tax** for goodwill realignment (leading to € 5.9bn tax asset, i.e. no tax payments for 18 years)
- **€ 148m payments** of regulatory fines & one-offs (mainly Cassiopea) accrued and provided for in previous years, already embodied in 3-year guidance

YoY comparison is affected by :

- Q2 2020 CAPEX lower than average due to COVID (€ 222m YoY swing)
- Q2 2020 benefiting from the shift to H2 of Fistel payment (€ 81m YoY swing)
- Benefit from TimFin kick off in 2020

Net debt after lease (2)



Substitute tax	+231
Spectrum pre-payment	+240
Regulatory fines & one-offs	+148
Dividends	+312

Net Debt AL -€ 3.7bn YoY vs. -€ 1.7bn in Q2 '20

QoQ increase related to:

- spectrum pre-payment (€ 240m for 35Mhz usable for 5G), allowing to save € 40m financial charges

On top of:

- dividends payment (€ 312m including TIM Brazil minorities)

Net debt guidance FY '21: €16.8bn

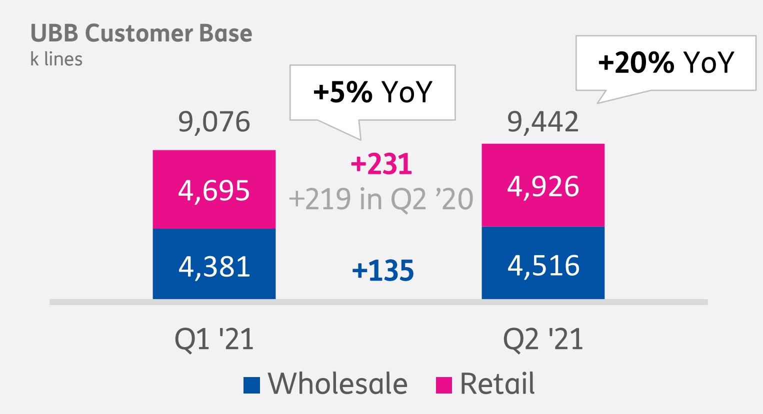
---

(1) Mainly litigations already accounted for in guidance
(2) Adjusted Net Debt

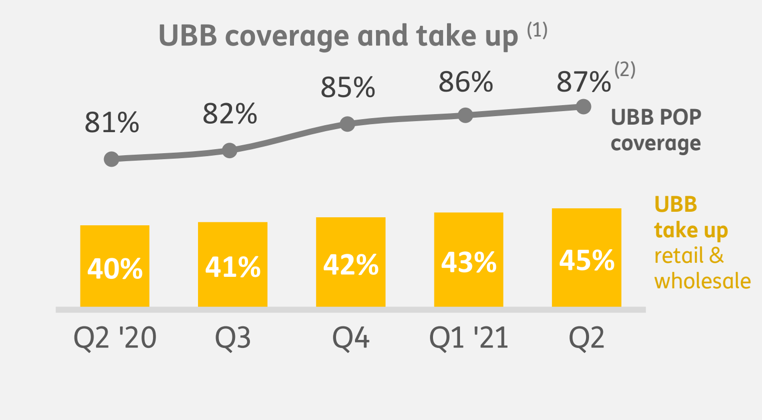
TIM fixed lines remain stable for third consecutive quarter; churn falls further

Retail net adds better QoQ and YoY

Retail UBB net adds keep growing fast



UBB coverage and take up increase QoQ



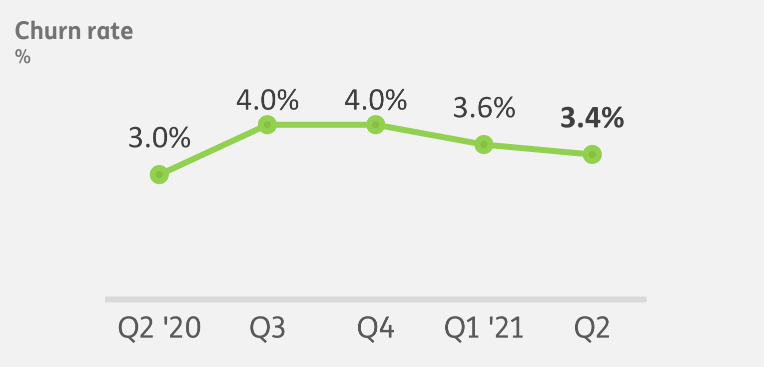
0.5m retail ultrabroadband net adds in H1, highest level since H1 '18 (156k new BB lines(3))

UBB take up accelerating

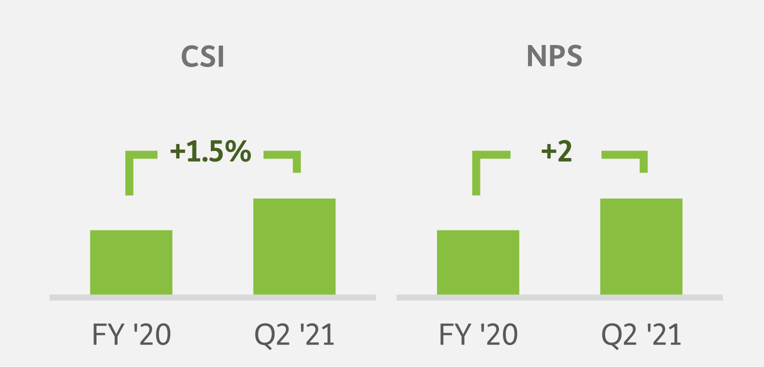
Vouchers: >55% of first €200m tranche for low-income families still available. TIM getting c. 80% market share

Churn benefiting from convergence and increased direct payments (+7.3pp YoY)

Churn reduced further QoQ



CSI/NPS increased in H1



---

(1) UBB take up calculated on technical HHs covered by UBB
(2) Equivalent to >93% of families with a fixed line
(3) New lines excluding customer base transformations

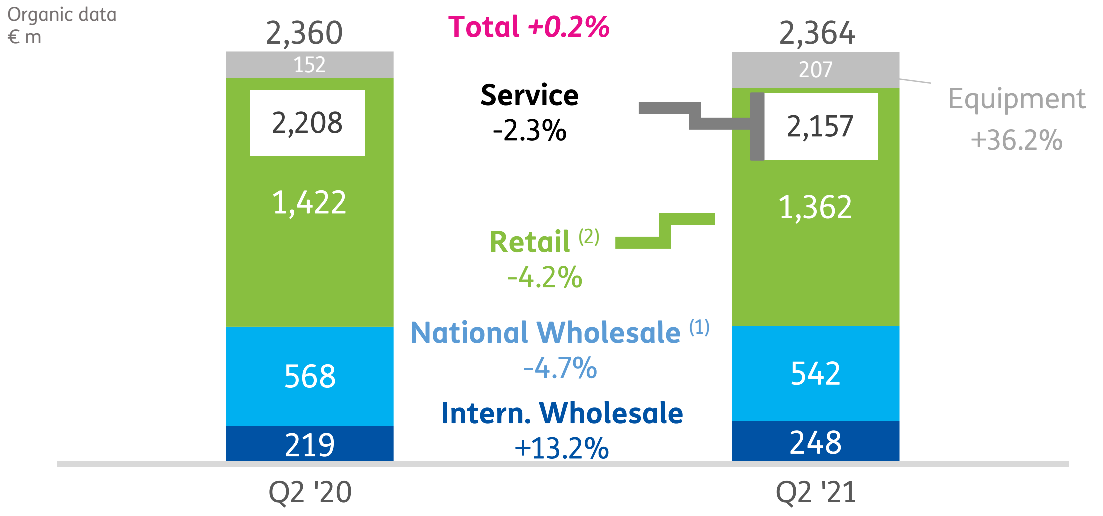
Fixed revenues stable helped by the business segment

Total Fixed Revenues +0.2% YoY in Q2 (after +3.0% in Q1)

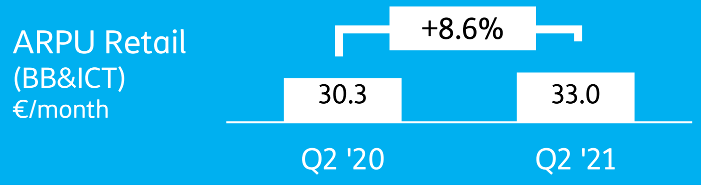
Fixed Service Revenues -2.3% YoY (-0.5% in Q1)

- **International Wholesale** +13.2% vs. +1.4% in Q1 thanks to improved voice and data services volumes
- **National Wholesale** (1) -4.7% YoY impacted by comparison with very strong non-regulated revenues in Q2 ‘20
- **Retail** (2) YoY trend -4.2% vs. -4.3% in Q1 benefiting from:
  - **Customer base** stabilization –2.9pp YoY, 0.8pp better QoQ
  - **ICT revenues** growing +28.5% YoY

Fixed Revenues

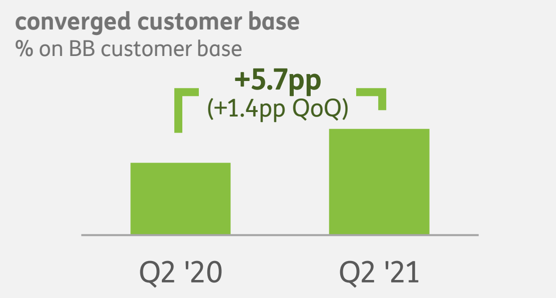


Consumer ARPU affected by activations’ dynamic, with business offsetting thanks to the push on digital services

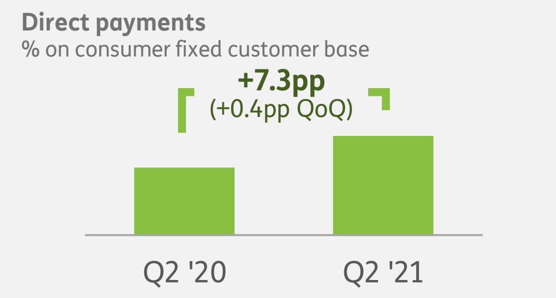


Equipment +36.2% vs. +58.5% in Q1

Convergence grew with larger adoption of TIM Unica



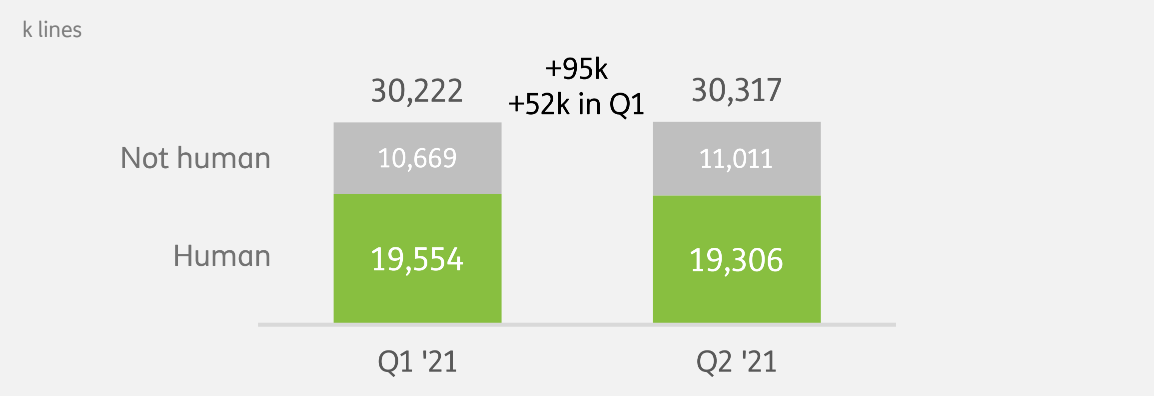
Direct payments increased, with benefits on churn



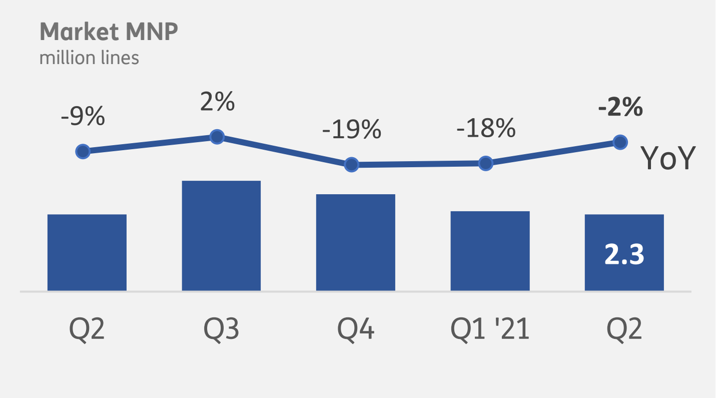
(1) Including FiberCop revenues
(2) Including ICT revenues generated by TIM Factories

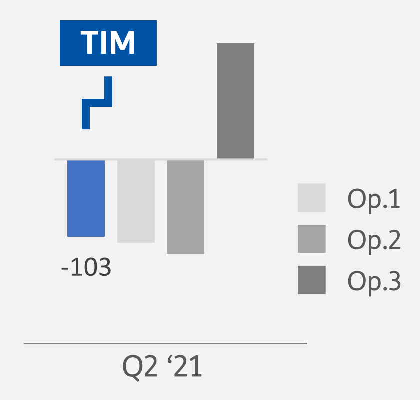
Mobile churn keeps improving (new low of last 14 years)
Calling human lines progressively stabilizing

Mobile Customer Base

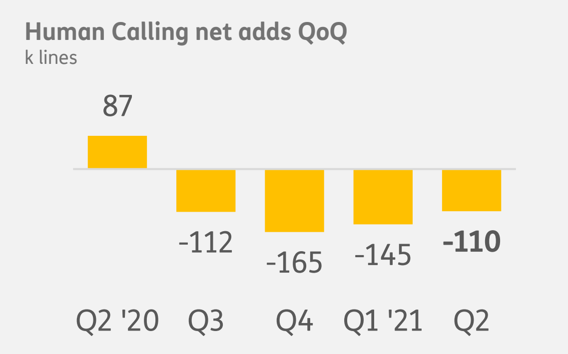


Market MNP down YoY, TIM still the best among MNOs

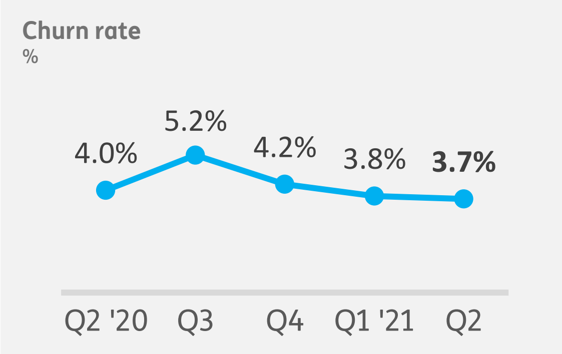

Market MNP
million lines



Calling human net adds further reduced QoQ


Human Calling net adds QoQ
k lines

Churn improved both QoQ and YoY


Churn rate
%

Impact on MSR from CB reduction +1.4pp better QoQ (after ~ +1pp in Q1)

Churn 0.1pp better QoQ, +0.3pp YoY

CSI +0.1% QoQ in Q2, after +0.5% in Q1

MSR trend improving QoQ for better customer base trend and lower drags

Total Mobile Revenues -3.3% YoY vs -8.6% in Q1

MSR trend YoY (-7.1% vs -11.3% in Q1), is mainly explained by:

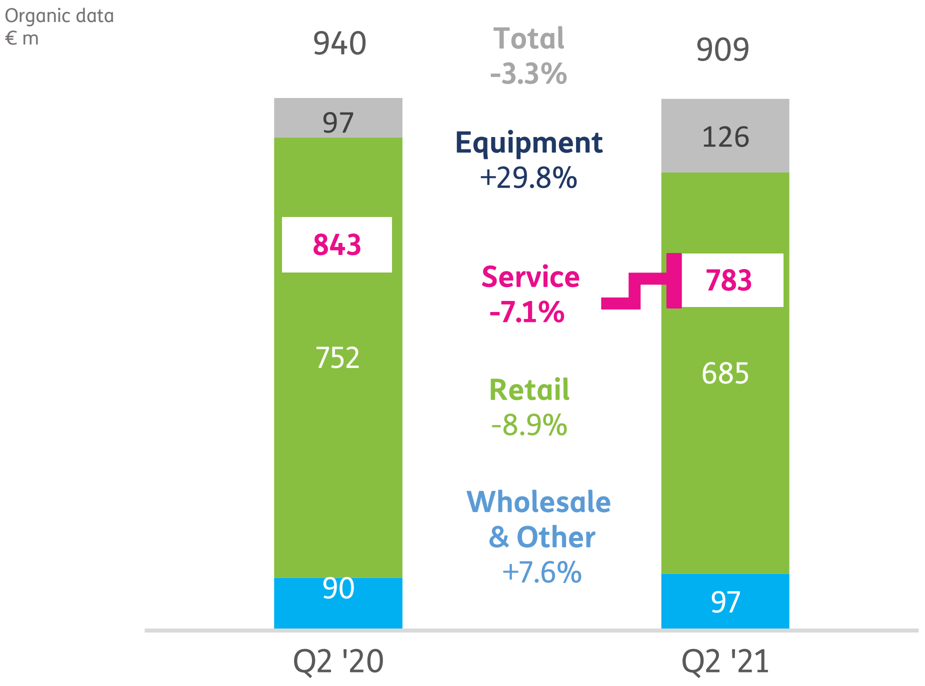
-3.2pp of one-off drags (1)	< -1pp expected in H2
-2.1pp accounting impact (2) affecting organic revenues, not reported	No impact from Q3
-0.8pp related to lapping of past price moves	< -0.5pp drag in H2

- Customer base trend <1pp (vs. ~ -2pp in Q1)
- Price dynamics +0.7pp (vs. ~ -0.5pp in Q1)

MTR price reduction explains -0.9pp drag

Handset sales grew 29.8% YoY (vs. +10.4% in Q1)

Mobile Revenues



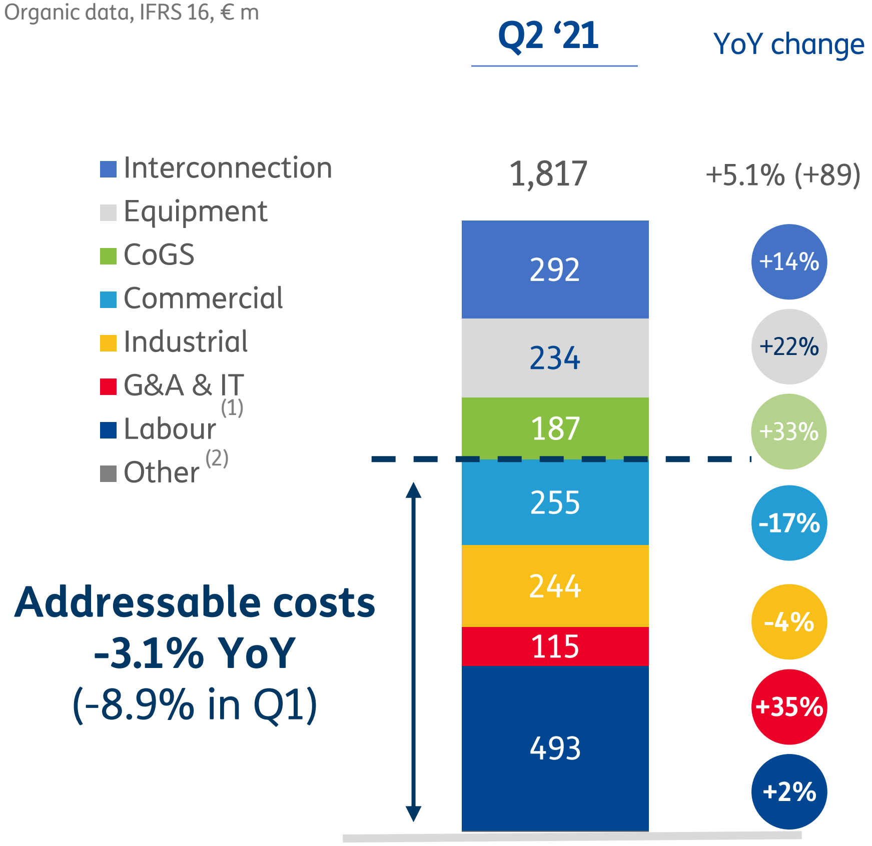
---

(1) Including roaming, CSP cleaning, COVID related retail & wholesale out-of-bundle

(2) Accounting impact of Q2 '20 COVID-related Giga free monetized in Q2 '20 organic revenues

Addressable cost base reduction decelerated to -3.1% YoY due to discontinuities on labor cost

OPEX
Organic data, IFRS 16, € m



Addressable costs
-3.1% YoY
(-8.9% in Q1)

- **Labour** +2.1% YoY, would have been -11% YoY net of drags from:
  - lower solidarity days vs. Q2 '20 that benefited from anticipation of H2 solidarity: 12 days vs. 5 days in 2021 (8.5pp drag)
  - lower holidays vs Q2 '20 (4.3pp drag)

  FTE 1.9k reduction YoY
- **G&A & IT** +35% mainly for higher indirect personnel costs
- **Industrial**: energy cost down -3% YoY thanks to lower consumption and better prices
- **Commercial**: -17% mainly for lower commissioning and bad debt
- **CoGS** increase related to ICT revenue growth
- **Equipment** costs growth lower than sales growth
- **Interconnection** increase for higher traffic volumes in international wholesale (data & voice bundles)

---

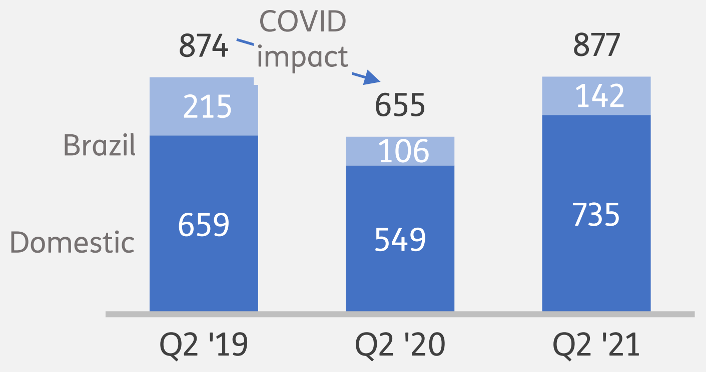
(1) Net of capitalized costs
(2) Includes other costs/provision and other income

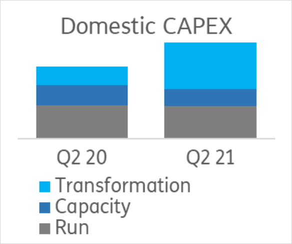
TIM Group

Two thirds of CAPEX dedicated to transformation and growth

CAPEX focused on growth

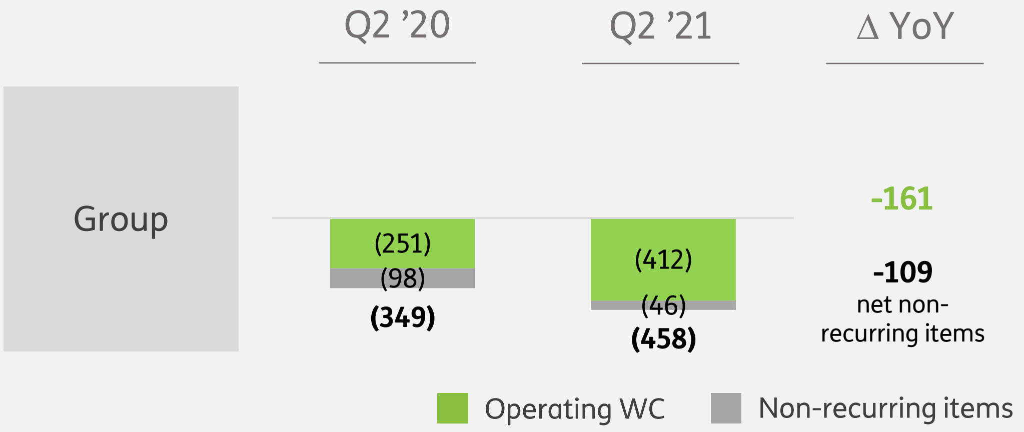
Organic data, € m





Group Operating Working Capital

Net Working Capital
IFRS 16, € m



Group **CAPEX** up YoY due to:

- Q2 '20 CAPEX affected by COVID
- In Q2 '20 push on transformation CAPEX (2.5x YoY) for FTTH roll out (+15% FTTH premises in 6 months), football and Noovle's data centers
- Reduction in maintenance CAPEX

Group Operating Working Capital outflow worsening -€ 161m YoY

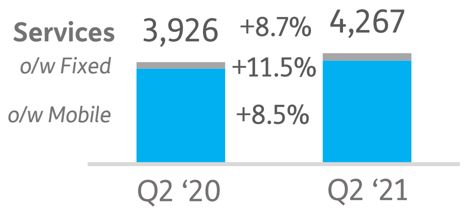
-€ 109m YoY worsening excluding YoY swing in non-recurring items

- Domestic -€ 65m YoY mainly related to litigation settlements
- Brazil -€ 49m mainly related to the Fistel payment shifted to H2 in '20

TIM Brasil accelerates growth rates thanks to successful value strategy

Revenues accelerating growth trend, with positive contribution from both postpaid and prepaid on services

Reported, R$m



Tot. revenues +10.5% YoY, +7.5pp QoQ

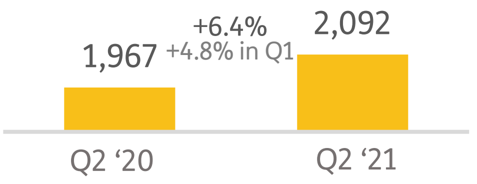
Services +8.7% YoY, +5.3pp QoQ

MSR +8.5% YoY (vs. +2.8% in Q1)
Postpaid +8.9% (vs. +3.9% in Q1)
Prepaid back to growth, +5.4% YoY

FSR +11.5% YoY driven by TIM Live

EBITDA growth thanks to revenues performance

EBITDA net non-recurring items, R$m



20th quarter of positive EBITDA growth

Mobile

ARPU +10.3% YoY
to 25.8 R$/month

Prepaid ARPU +11.2% YoY
Postpaid ARPU +5.6% YoY (1)

TIM Live

Revenues +21.1% YoY

CB +10.0% YoY to 666k

ARPU +8.2% YoY to 90.8 R$

Mobile ARPU growing for 22 consecutive quarters

Consistent sequential revenues improvement

ESG

R$ 1.6bn sustainability-linked debenture issued

30 new active biosites to >1.7k
+102 sky sites to 224
+15 renewable power plants

Infrastructure Development

FTTH coverage **+38% YoY**
3.8m HHs covered

Mobile access network
4G: 4.3k cities covered, +22% YoY
4.5G: 1.5k cities covered, +20% YoY

Massive MIMO
+285 sites QoQ

Network Sharing Agreement
coverage expansion in >350 cities each

Special Projects

Fiber Co

CADE approval on June 16th

Next steps

- *Anatel's prior consent*
- *Closing expected for September-October*
- *Higher secondary considering additional HPs vs deal's original scope*
- *Smooth transition with a TSA contract*
- *Additional FTTSite contract to be signed at closing*

New Customer Platform Partnership

TIM + Ampli (Cogna Group)
Participating in the fast-growing distance learning segment

Financial services

TIM+C6: R$20m revenues in Q2 '21

---

(1) Excluding M2M

ESG guidance upgraded: renewable energy target now at 100% by 2025 and indirect emissions to fall -100%

Targets (1)

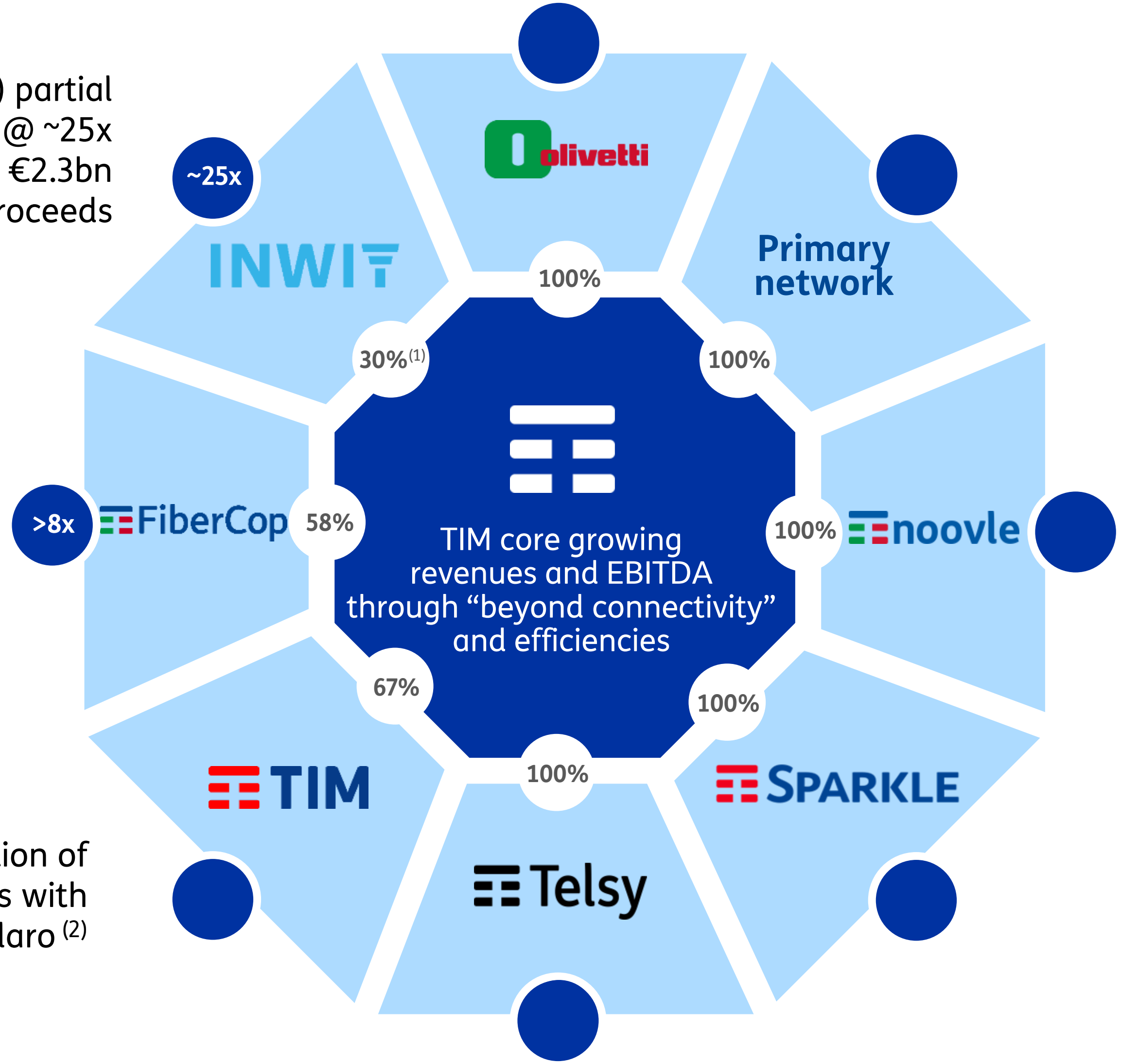
Eco-efficiency	+50%	2025
Renewable energy (2) on total energy (%)	NEW 100%	
Indirect emissions (3)	NEW -100%	
Carbon Neutrality (4)		2030
Employees engagement	+19pp	2023
Hours of training for reskilling and upskilling	6.4m hrs	
Churn of young employees	<15%	
New VC fund size	€ 60m	
IoT and Security service revenues (CAGR)	+20%	
Green Smartphone	>15%	2024

---

(1) “Beyond Connectivity” plan targets were upgraded vs. previous plan, baseline 2019. Domestic, except for indirect emissions and carbon neutrality (Group)
(2) Electricity
(3) Scope 2, TIM Group
(4) TIM Group

STRATEGIC INITIATIVES UPDATE

Strategic initiatives update: moving forward in portfolio optimisation



Towers (INWIT) partial monetization @ ~25x EBITDA with €2.3bn proceeds

Secondary part of access network (FiberCop) @ >8x with €1.8bn proceeds

TIM Brazil acquisition of Oi mobile assets with Vivo and Claro [2]

Additional portfolio optimization on the way to capture synergies and crystalize market's sector multiples

○ TIM Group ownership

● EV/EBITDA multiple

(1) 15% economic interest: 30.2% stake in the share capital of INWIT owned by Daphne 3, a holding company controlled by TIM with 51%
(2) Pending approval

CLOSING REMARKS

Closing remarks

Stabilizing connectivity revenues in Italy and accelerating in Brazil

- Group revenues growing YoY for the first time since Q3 2018
- Domestic fixed lines stable for third quarter in a row, UBB growing fast
- Convergence bringing mobile churn at lowest level in 14 years

Investing in “beyond connectivity” to achieve growth and further portfolio optimization

- Football, cloud, cybersecurity, IoT are growth engines and provide optionality
- TIM is the sum of the core and all of these initiatives

Macro forecasts improved

Expected benefits from the Recovery Plan and the acquisition with Vivo and Claro of Oi mobile assets not yet embodied in guidance

Q&A

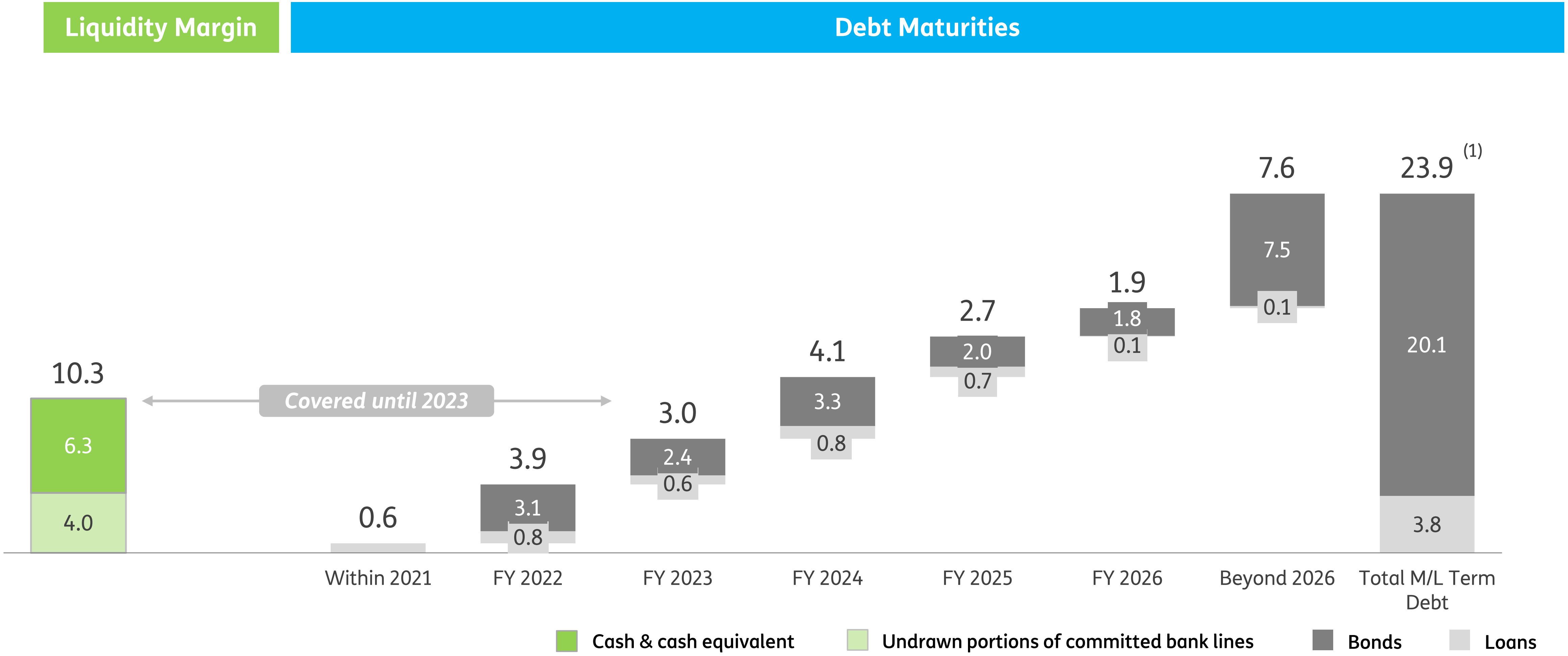
ANNEX

Realignment of intangible asset tax value

Realignment of the tax value	▪ **Decree-Law** 104/2020 allows for realignment of intangible asset tax value to the book value ▪ 3% **substitute tax** to be paid on the amount redeemed ▪ **Future income taxes** will benefit from intangible asset tax amortization
TIM SpA intangible assets redeemed	▪ Overall **tax benefit**: **€ 5.9bn** (28.5% of tax basis) net of substitute tax ▪ Benefit will occur over 18 years
Substitute tax (3%): € 0.7bn	▪ To be paid in 3 annual instalments (€ 0.2bn per year), from June 2021

Liquidity margin - After Lease view

Cost of debt ~3.2%, -0.1p.p. QoQ, -0.2p.p. YoY



---

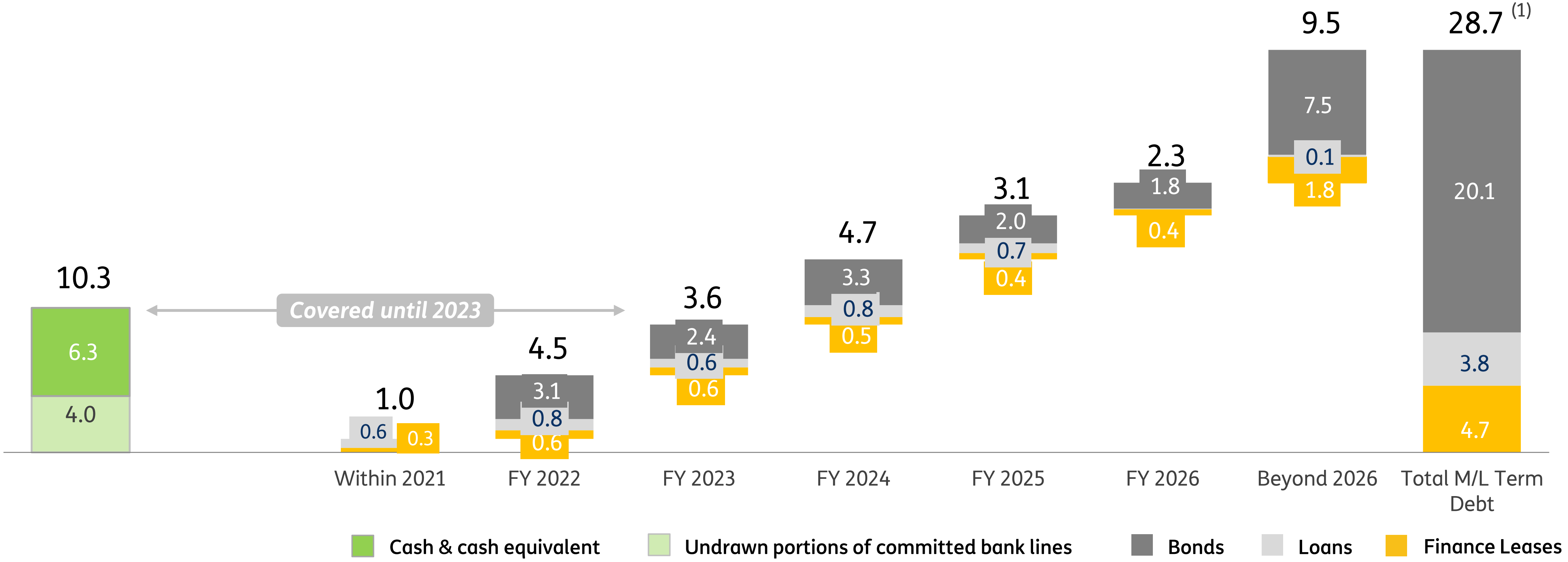
(1) € 23,915m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 400m) and current financial liabilities (€ 314m), the gross debt figure of € 24,629m is reached

Liquidity margin - IFRS 16 view

Cost of debt ~3.6%*, flat QoQ, -0.2p.p. YoY

Including cost of all leases

Liquidity Margin **Debt Maturities**

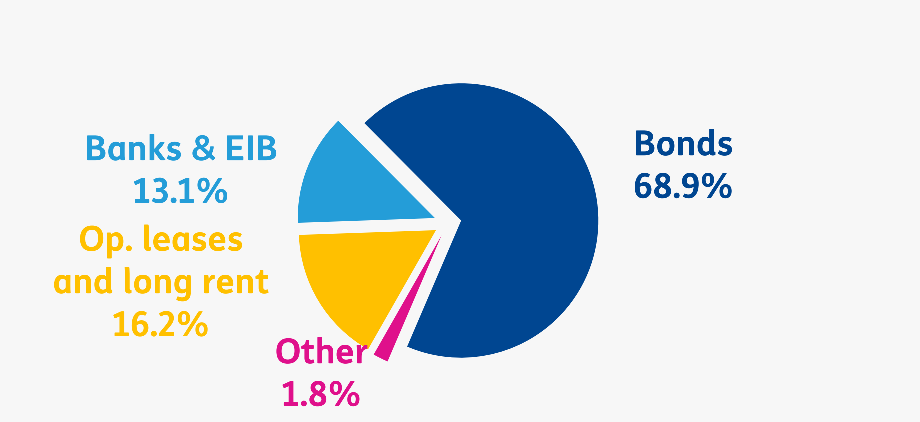


(1) € 28,654m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 427m) and current financial liabilities (€ 314m), the gross debt figure of € 29,395m is reached

Well diversified and hedged debt

	NFP adjusted	Fair value	NFP accounting
GROSS DEBT			
Bonds	20,258	248	20,506
Banks & EIB	3,847	-	3,847
Derivatives	221	1,417	1,638
Op. leases and long rent	4,766	-	4,766
Other	303	-	303
TOTAL	**29,395**	**1,665**	**31,060**
FINANCIAL ASSETS			
Liquidity position	6,280	-	6,280
Other (1)	1,043	1,410	2,453
TOTAL	**7,323**	**1,410**	**8,733**
NET FINANCIAL DEBT	**22,072**	**255**	**22,327**

Gross Debt



Average m/l term maturity:
6.9 years (bond 6.6 years only)

Fixed rate portion on medium-long term debt ~**71%**

Around **25% of outstanding bonds** (nominal amount) denominated in **USD and GBP and fully hedged**

---

(1) Refers to positive MTM derivatives (accrued interests and exchange rate) for € 658m, financial receivables for lease for € 109m and other credits for € 276m

Deleverage: € 1.3bn debt cut in H1 (-€ 1.2bn After Lease view)

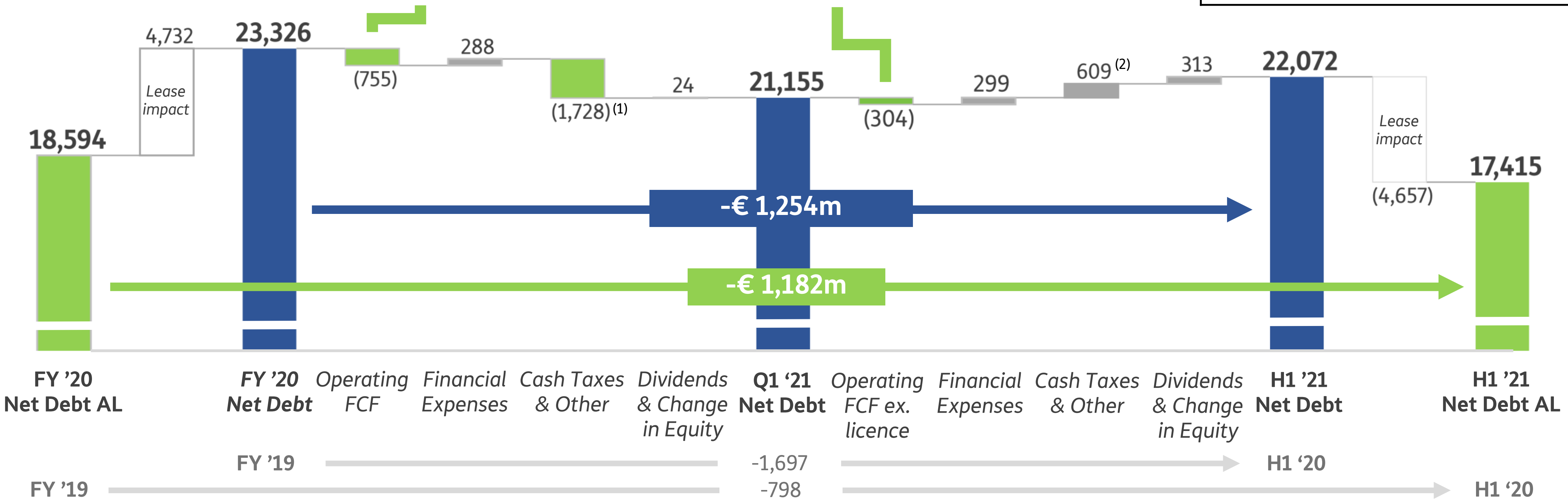
€ m; (-) = Cash generated, (+) = Cash absorbed, excluding call-outs

EBITDA	1,177
CAPEX	(691)
ΔWC & Others	269
Op.FCF ex. Licence	**755**

EBITDA	1,593
CAPEX ex.licence	(877)
ΔWC & Others	(412)
Op.FCF ex. Licence	**304**

Net debt QoQ increase due to:

Substitute tax	+231
Licence	+240
Regulatory fines & one-offs	+148
Dividends	+312



21,893	5,775	**27,668**	(788)	295	(470)[3]	40	**26,745**	(757)	309	(634)[1]	308	25,971	(4,876)	**21,095**	**2020**
(3,299)	(1,043)	**(4,342)**	33	(7)	(1,258)	(16)	**(5,590)**	453	(10)	1,243	5	(3,899)	219	**(3,680)**	**Δ vs. 2020**

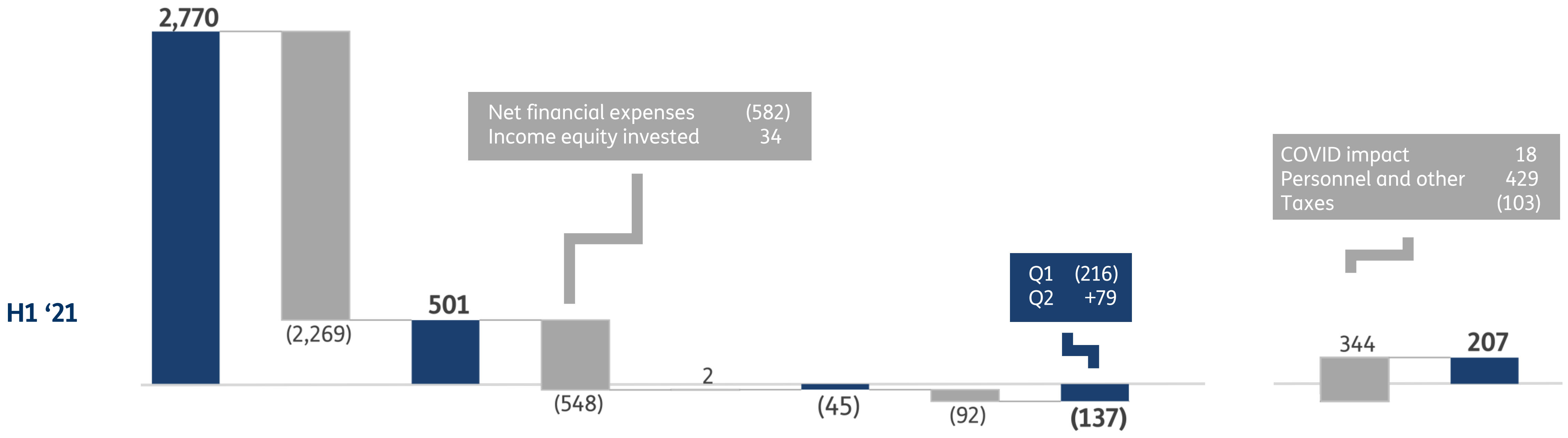
---

(1) Including FiberCop, financial investments, cash taxes & other
(2) Including financial investments, licence, cash taxes & other
(3) Includes Inwit deconsolidation

TIM Group

Net Income

Reported data, € m, Rounded numbers



Net financial expenses (582)
Income equity invested 34

Q1 (216)
Q2 +79

COVID impact 18
Personnel and other 429
Taxes (103)

	EBITDA Reported	Depreciation & Amortization & Other	EBIT	Net Interest & Net Income/ Equity/ Disc. Operations	Taxes	Group Net Result	Minorities	Net Result after Minorities	Non-Recurring Items (NRI)[2]	Group Net Result excl. NRI
H1 '20	**3,398**	(2,356)	**1042**	(153)	(166)	**723**	(45)	678	(342)	336
Δ vs. H1 '20	(628)	87	(541)	(395)[1]	168	(768)	(47)	(815)	686	(129)

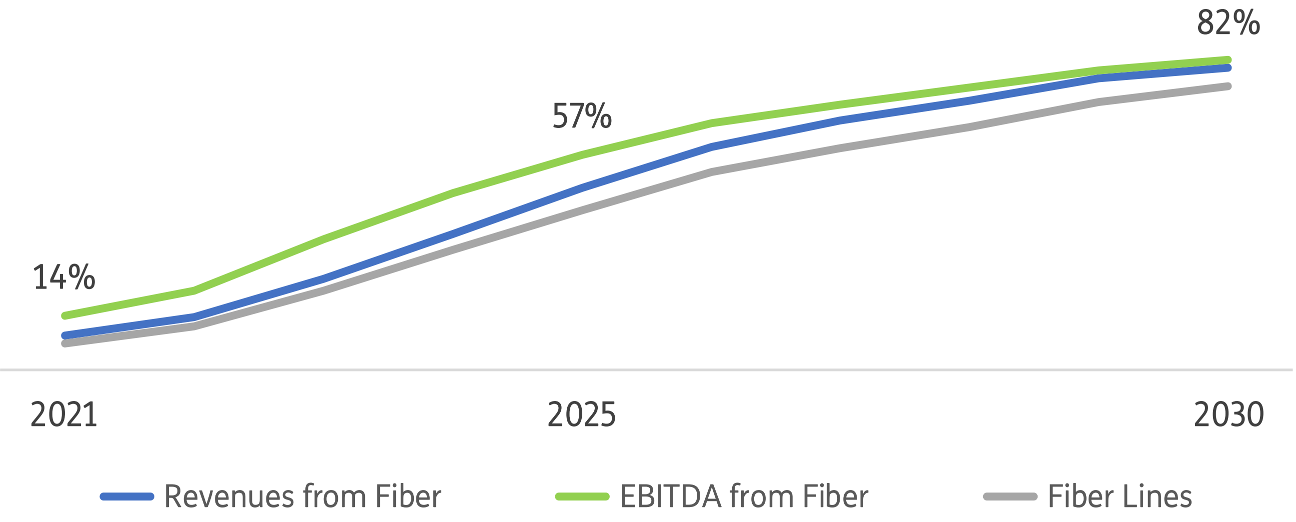
o/w NRI on Personnel H1 '21 €335m

(1) Of which Inwit gain on disposal 448m in H1 '20
(2) Non-recurring items include personnel provisions (2021-26 layoffs ex art.4 Fornero Law), legal and COVID related costs

TIM Domestic

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

---

(1) More details in August 31st 2020 presentation

For further questions please contact the IR team

☎ (+39) 06 3688 1 // (+39) 02 8595 1

Investor_relations@telecomitalia.it

www.gruppotim.it

www.twitter.com/TIMNewsroom

www.slideshare.net/telecomitaliacorporate