

TIM GROUP

Q1 '20 Results

Accelerating deleverage and transformation



19 May 2020

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 Q1 '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. Please note that starting from January 1, 2019, the TIM Group adopted the accounting principle (IFRS 16 - Lease).

The financial results for Q1 '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 and net financial debt. 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 finance 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 finance lease contracts according to IFRS 16 (applied starting from 2019).

Such alternative performance measures are unaudited.

"Operations TIme" plan execution ongoing

What happened in Q1

KPIs

Revamp culture, organization and engagement

- **New Remuneration scheme** rewarding ESG, Equity FCF, stock price performance
- **Employee shareholding plan** for higher engagement
- **>2k early retirement – art 4** in pipeline for 1H 2020
- **Smart working extended** Group-wide for over 40k employees

>2k exits in 1H
vs. 1.6k in 1H '19
(2.7k FY '19)

Domestic

- **Consumer mobile ARPU growing YoY** and **MNP** record low -60% QoQ
- **Fixed:** on track to **halve line losses in 2020** vs. 2019
- **Cost cutting** continues with **double digit reduction YoY**

Mobile ARPU -1% YoY
MNP +ve in March,
Zero Consumer line losses in April

Brazil

- From volume to value, with service revenues growing 2% YoY, despite COVID
- Cost cutting accelerates, resilient **EBITDA growing 8% YoY**
- Developing infrastructure reaching 3.5k cities with 4G and 2.5m HH in FTTH

Service Revenues
+2% YoY
EBITDA
+8% YoY

Cash generation and deleverage

- **Net Debt reduced** by **€ 923m** from YE 2019 and **€ 1.8bn** YoY
- **Working capital** optimization continues (-296m outflow YoY)
- **Equity FCF €466m** in Q1 '20. More disciplined commercial conduct

Net Debt reduced
€ 923m QoQ
EqFCF +31% YoY
€ 466m in Q1 '20

TIM in the emergency: solid operations, the greatest support for the Country

People

All staff safe and well supported

- **Smart working** >40k TIM Group employees
- Ad hoc **procedures and equipment** for technicians, commercial, data centers staff
- Increased **welfare initiatives** and **flexibility** on work time
- **Agreement with unions** on **holidays** & **expansion contract** leading to savings in Q2



Business Continuity

Fully operational networks and services, growing rural coverage

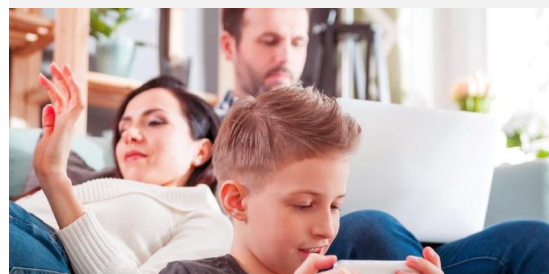
- **Networks** up and running at all times
- **Bandwidth** increase
- **7k new cabinets** to provide broadband in more than 1k municipalities serving **~1.2m additional households**



Customers

Extra-care for our customers...

- **Unlimited data** on fixed and mobile customers
- Selected **free services**: voice, TIM Vision, ADSL to fiber switch
- **Free** mobile data on **e-learning** applications
- **Free** or **discounted B2B** services for enterprises
- **Free G-Suite** TIM Edition



Wider Community

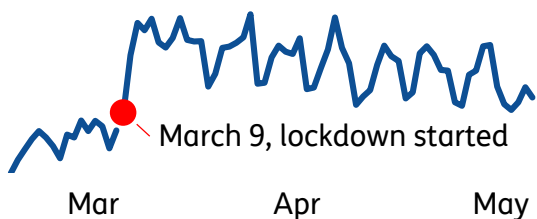
... and for our Country

- **TIM Data Room** for Civil Protection, workstations, toll free number
- **Donations** by the TIM Foundation and employees
- Many initiatives for **schools**
- **Digital education** initiatives for all ("Maestri d'Italia")
- Monitoring tools for **emergency services**

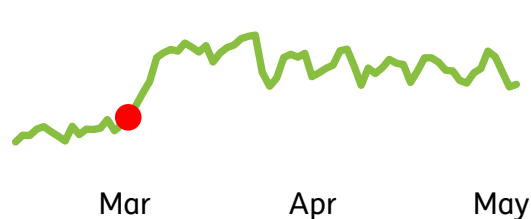


Ready to ride the transformational power of emergency

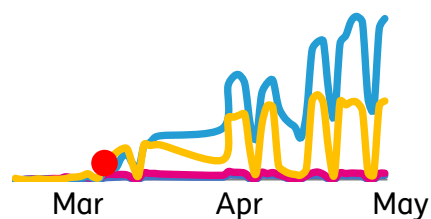
Fixed data traffic
+80%



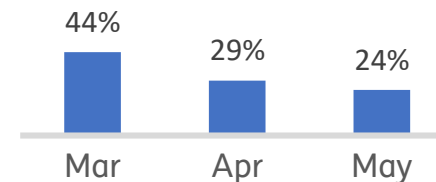
Mobile data traffic
+30-40%



Collaboration apps traffic
11x on average



Shops
% closed

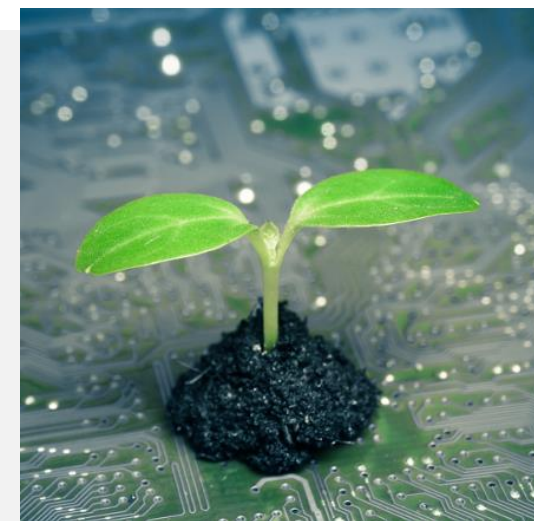


Short term impacts

- ⊖ Lower handsets/modem sales (no major EBITDA impact)
- ≈ Lower gross adds for lockdown, higher demand in rural / digital divide areas
- ⊕ Lower churn
- ⊖ Lower roaming volumes: positive on outbound (fixed fees), negative on inbound
- ⊕ Higher demand for ICT services from enterprises
- ⊖ Higher bad debt expected on SME

Moving on: a more digital Country, a cleaner environment, a better life-style

- Much higher penetration of digital services and **ICT-transportation substitution**, reducing CO2 emissions
- Higher ultrabroadband penetration and overall demand for fixed, particularly **ICT infrastructure and services** both in B2B and B2C
- **Active and substantial Government support** for digital infrastructures and services



A decade's evolution potentially happening in a few months

Government response to Covid: € 2.7bn public funding benefiting telco sector

Expected timing

Schools

Public tender Sept '20
subject to EC approval
Assignment by YE

Vouchers

vouchers to be
started from July '20 for
low income families
From September '20 for
the rest post EC
approval

Grey areas

Public tender Sept '20
subject to EC approval
Assignment by YE

- Objective: **connect 32,213 school buildings across the whole Country in 2020-2023**
- Services: connectivity (100-1000 Mbps), maintenance and CRM covered by public grant
- Expected timing: tender in 2020, roll out 2021-23 Contract duration 5 years
- Objective: **support families and companies in purchasing or upgrading UBB connectivity**
- Voucher value: 500€ low income families, 200€ for other families, 500-2,000€ for companies depending on speed (30-1000Mbps)
- Scope and timing: new lines or speed upscale, 2020
- Objective: **deploy infrastructure in selected industrial districts in “grey areas”**
- Criteria: cities with higher businesses density
- Expected timing: tender in 2020, roll out 2021-23

Budget

€ 400m

€ 1,146m

€ 1,126m

€ 2,672m

Category	Funding €bn	Voucher value €	Implied lines m
Low income families	0.3	500	0.6
All families	0.3	200	1.6
30 Mbps companies	0.1	500	0.2
1 Gbps companies	0.4	2,000	0.2
Total	1.1		2.6

* Source: MISE

Covid 19 accelerating digital transformation and channels rationalization

Pull channels scale-up...

...for a powerful combination with TIM's shops

Boost **digital channel**

Cleanup and **rationalization of push** channels (Agencies and Telesales)

Refocus of Stores to **CB retention management**

New channels exploration (Business-Consumer synergy; FWA dedicated installers)

TIM's shops a traditional strength

...that (temporarily) turned into a cost in the COVID lock down



+64% (YoY)
TIM app fixed
unique users

>60% (YoY)
Digital channels
penetration on
mobile

+60% (YoY)
AI channels
conversations

+23% (YoY)
TIM app mobile
unique users

+29% (YoY)
E-Recharges
(channel share
16%)

+100% (YoY)
E-Commerce
activations
(share 20%)

Fixed line digital sales growth



+12 p.p.
Digitalization in
technical support
% Not Human

-18% (YoY)
Failures on field
Trouble tickets
(m)

Strategic initiatives/partnerships progress. Boosting ROCE remains the goal

Mobile towers

- **Merger with Vodafone Towers** effective on 31 March 2020
- **First wave of monetization:** INWIT free float increased from 25% to 33% through ABB
- **Second wave of monetization:** exclusive negotiation with Ardian Consortium (see next slide)

Fixed line network

- **Exclusivity to KKR** in negotiation with Open Fiber (dual track)
- Exclusivity to **KKR to acquire c. 40% of TIM's secondary network. Due diligence on track**
- Covid-19 sanitary emergency showing importance and urgency of a single network in Italy. Growing political support

Cloud services and data centers

- Partnership with **Google up and running**
- Launch of TIM / Google / Banca Intesa smart-working platform for SMEs last April
- **Carve-out of cloud business NEWCO planned by October** (estimated 2024 EBITDA € 0.4bn)

Develop TIM Brasil

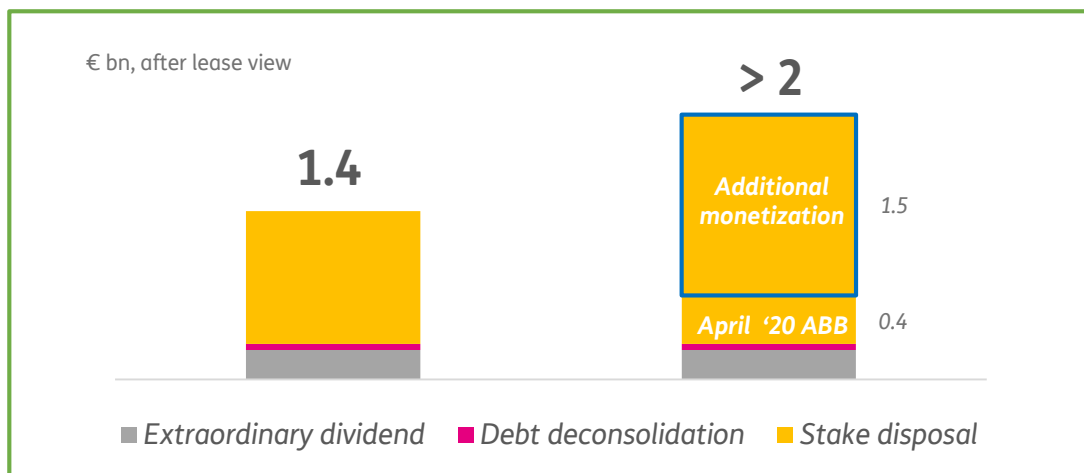
- Promoting **consolidation in Brasil** in partnership with **Telefonica**
- NDAs being signed to select a strategic partner to further expand TIM Live's fibre roll out

TIM Vision and content strategy

- TIM Vision Plus 100k activations in march only (+194% MoM), benefiting from exclusivity with Disney+ launched on 24 March
- Consolidating **TIM Vision visibility and position** within the Italian market

INWIT: further monetization; retaining joint control of INWIT with Vodafone

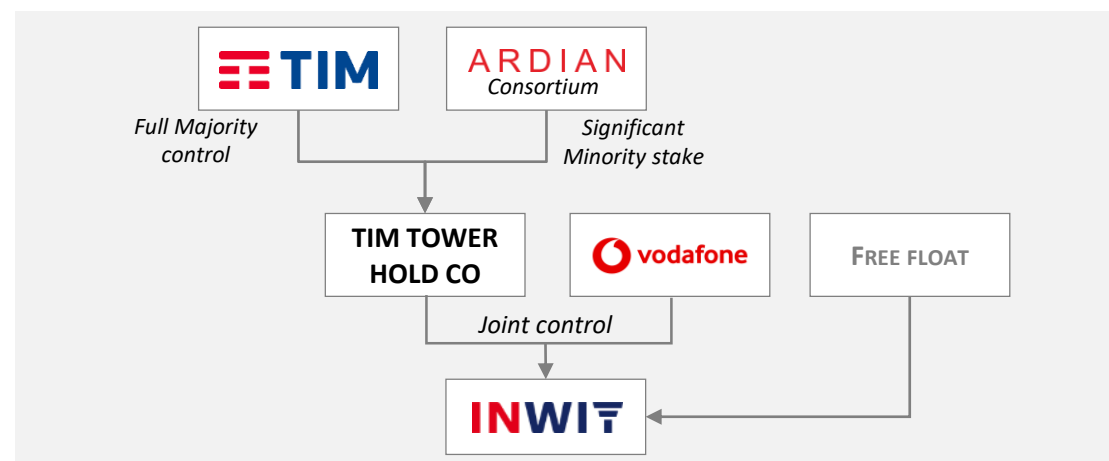
- **Clearance** on both **passive and active sharing** on 6 March
- **Merger with Vodafone Towers** effective on 31 March
- **4.3% share capital of New Inwit placed** on 23 April @ €9.6 per share. Cash-in € 0.4bn. Vodafone sold an equal # of shares
- TIM and Vodafone's **ownerships reduced to 33.2% from 37.5%**
- €214m extraordinary dividend cashed in by TIM on 8 April
- €42m ordinary dividend to be cashed in on 20 May
- Distribution policy going forward: >80% of net income



Total TIM Group debt reduction from INWIT expected to exceed €2bn vs. €1.4bn original plan

TIM is entering exclusive negotiations with Ardian Consortium ⁽¹⁾ for the sale of a minority stake in TIM's Tower HoldCo

- Ardian Consortium has been reserved a period of **exclusivity** to acquire a significant **minority stake** of TIM Tower HoldCo, fully **controlled by TIM**, which will own TIM's co-controlling stake in Inwit. The exclusivity follows the submission of a **binding offer** by Ardian Consortium
- TIM, together with Vodafone, will continue to exercise, through the investment vehicle, **joint control with Vodafone over Inwit**
- The transaction is subject to the finalisation of relevant documentation and customary approvals, which are expected to happen by the Summer



Google partnership “up and running”. Newco data centers carve out by October

TIM-Google Cloud partnership roadmap

- **Partnership agreement with Google** signed last February
- **Go-to-market activities and roadshow:**
 - Started engaging key top clients
 - Defined specific incentive scheme for salesforce
 - First quarter results in line with targets
- **Training plan:** ~5,000 resources in 2020
- Evolution of **Data Centers infrastructure** to host Google Region: works already started in Milan area
- **Competence center** by Q3

TIM-Google Cloud-Intesa Sanpaolo



- In April, TIM and Google Cloud signed a **partnership with Intesa Sanpaolo** aimed at launching an agile working tools package to support business continuity during Covid-19
- The offer combines TIM's connectivity services, Google Cloud productivity and collaboration apps and a laptop rental service offered by Intesa Sanpaolo Forvalue

Carve-out of Cloud and data center business by October 2020

Revenues 2024
€ 1bn

EBITDA 2024
€ 0.4bn

TIM Brasil developing both organic and inorganic initiatives as well

Inorganic opportunities

Promoting consolidation in Brasil in partnership with Telefonica

- **Due-diligence on Oi's mobile assets** underway
- Deal will be accretive from year one and will not impact deleveraging at Group level



Strategic partners invited to enter TIM live's equity

- **NDA's being signed** to select a strategic partner to further expand TIM Live's fiber roll out
- TIM Live intends to expand its FTTx coverage both in terms of HH (from 5.6m now) and in terms of cities (from 27 now)

New sources of revenues...

New partnership with **C6**BANK

- **First telco-bank partnership** to develop joint financial service solutions in Brazil
- Offer to be launched by YE

Google Cloud agreement

- Big Data virtualization to bring disruptive efficiency and enable new commercial opportunities

...and smarter CAPEX to boost ROCE

Network sharing agreement with vivo

- Regulatory **approval** in April. Antitrust technical approval obtained and final stage expected in June
- Sharing of 2G network in 50 cities as initial effort

TIM Vision now the richest content platform in Italy: early benefits from exclusivity with Disney

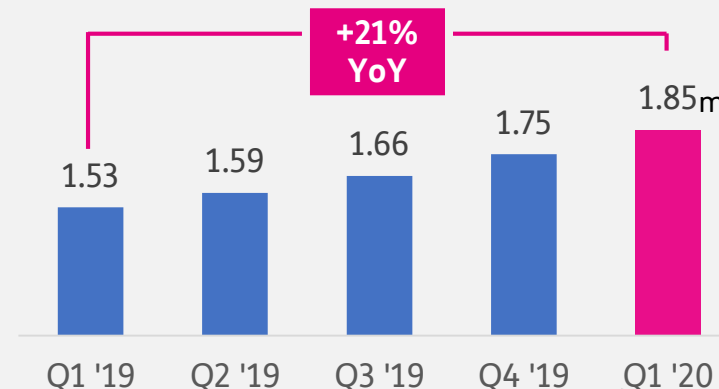


KPIs increasing in March

(% volume increase vs Feb '20)

- **+52%** viewing hours
- **+20%** active users
- **+81%** purchases from videostore
- **+64%** buyers
- **Disney+** booming on new and existing customers

Customer base evolution



Sport ¹

All major Italian and European soccer and other sports through **Now TV Ticket Sport, Dazn, Eurosport Player**

Entertainment ¹

- Disney+
- Netflix
- Prime Video
- Chili
- YouTube
- YouTube Kids
- SKY channels
- Mediaset channels & catch-up TV

TIMVISION Box



- Android TV Box to offer the widest range of tv, entertainment and gaming services, smart-home ready
- New interface for an improved user experience and an integrated content presentation (May 2020)

Fix the fixed: on track to halve Consumer line losses in 2020 vs. 2019

Lines losses in Q2 '20 expected to improve QoQ

Target to halve Consumer line losses in 2020 and stabilize by 2022

Increase customer base



ARPU Growth



Extend footprint and CB

Increase UBB penetration on footprint

Increase share of wallet on current CB

Rural Areas ("White Areas")

+1.2m

(new addressable market)

7,000 new cabinets in March/May

Fixed Wireless Access¹

1.3m

(new addressable market)

Push on the offer launched in Q4

Smart Working

New normal post COVID

Higher adoption of collaboration tools generate B2B/B2C opportunities

Upgrading for a more 'digital' life

Switch from ADSL to FTTx

E-learning, Online Gaming, etc. require higher bandwidth

Contents



NETFLIX



prime video

NOW TV
ticket sport

Convergence & Adjacent Markets



(1) Target 1m FWA active lines by 2022, 20% of fixed CB by 2020

Financial Update

Organic debt reduction in line with previous quarters despite seasonality

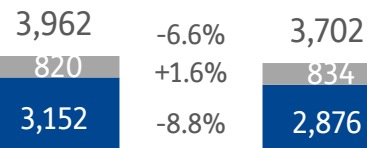
Organic data ⁽¹⁾, € m

Q1 '19

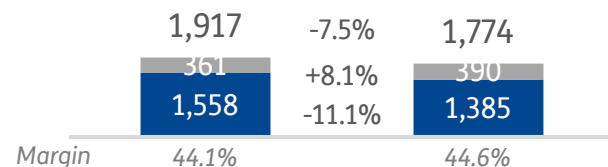
Q1 '20

All figures based on IFRS 16

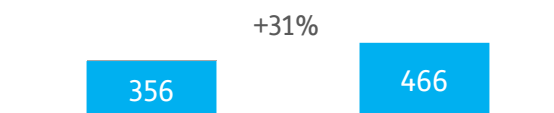
Service Revenues



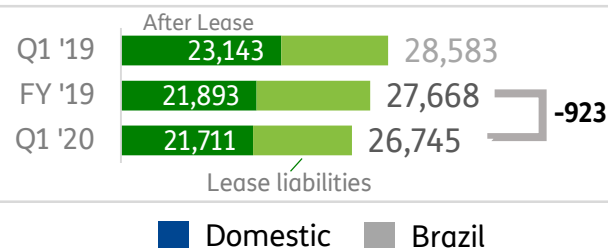
EBITDA



Equity FCF



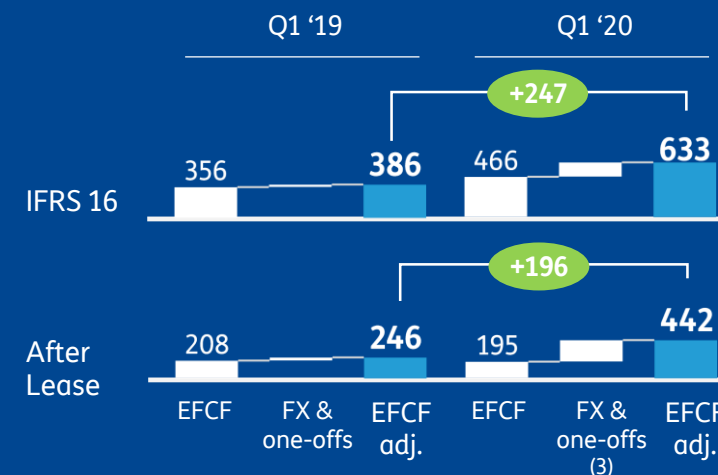
NET DEBT⁽²⁾



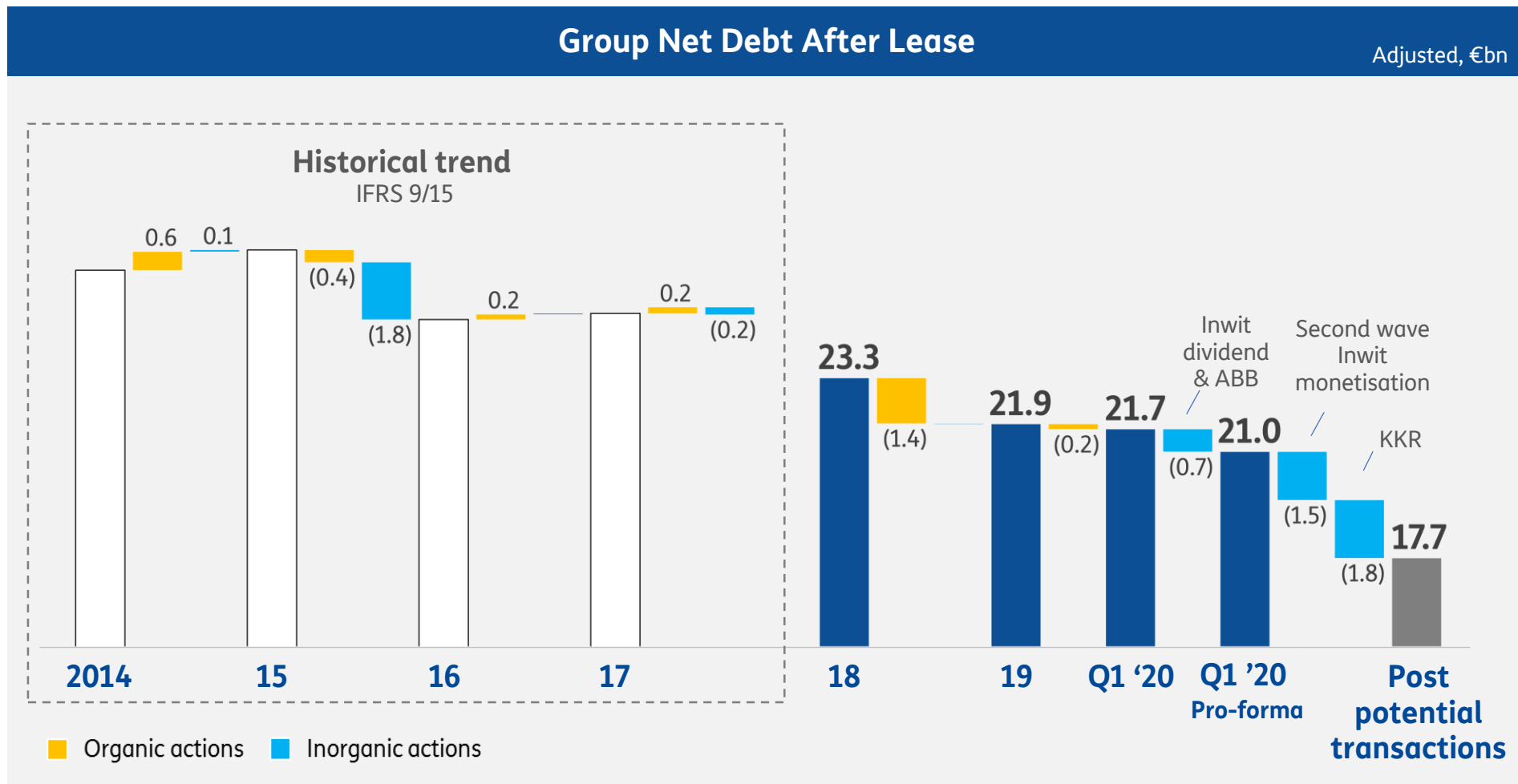
Q1 '20 showing strong improvement in cash generation:

- **Equity FCF** at € 466m, +31% YoY or **+€ 247m YoY (+64% YoY) net of FX impact** (+€ 79m) **and one offs** related to Sky settlement and regulatory fines (-€ 216m)
- **Net Debt** at € 26.7bn, reduced € 923m from FY '19, or € 378m excluding FX impact (+€ 300m), one-offs (-€ 216m) and Inwit deconsolidation (+€ 461m)
- **Net Debt AL** at € 21.7bn, reduced € 182m from FY '19, or € 352m (+103% YoY) excluding FX impact (-€ 4m), one-offs (-€ 216m) and Inwit deconsolidation (+€ 49m)

EQUITY FREE CASH-FLOW



€2.3bn debt reduction achieved in 15 months (€1.6bn organic). A total of €3.8bn including additional INWIT monetization; €5.6bn adding KKR



€0.7bn debt reduction in Q2 thanks to first wave of INWIT monetization

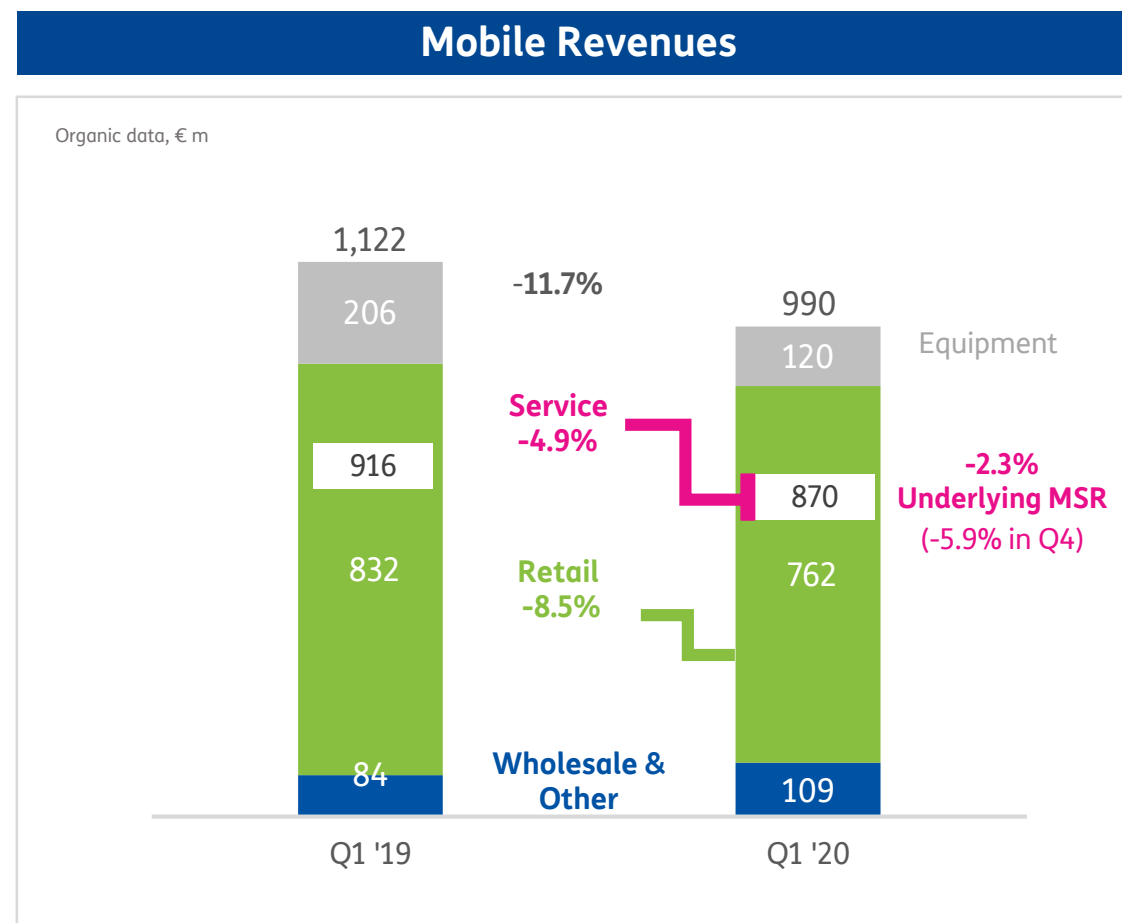
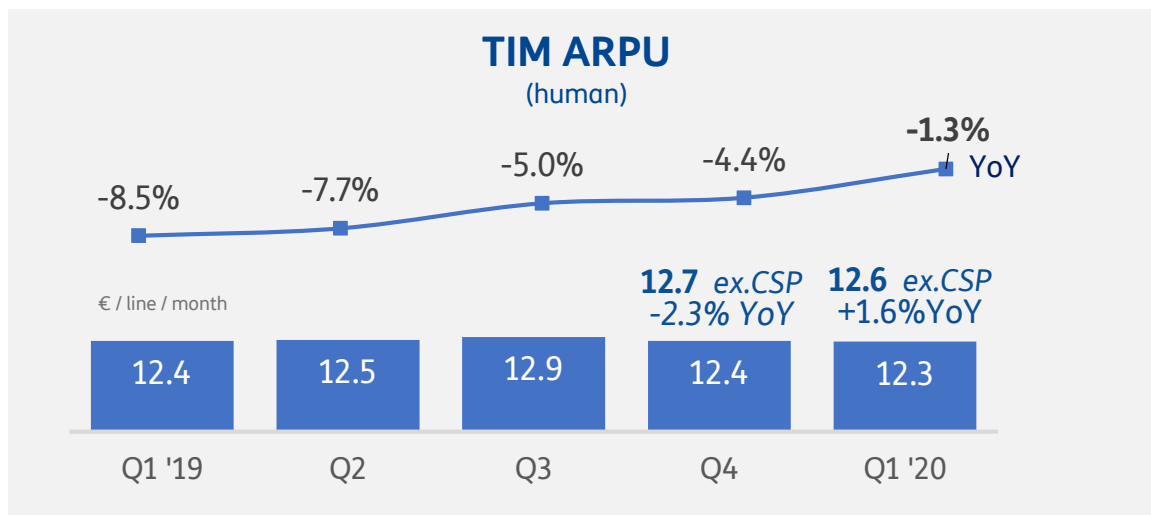
implies

€2.3bn debt reduction achieved in c. 15 months

Additional inorganic deleverage likely to reach €3.3bn before considering TIM Finance benefit...
...on top of organic Equity FCF

Mobile Service Revenues benefit from improved ARPU performance YoY

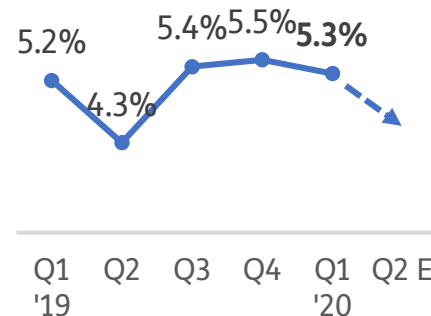
- **MSR continue on an improving path:** underlying YoY performance -2.3% vs. -5.9% in Q4 once cleaned of Content Service Providers (CSP) revenues discontinuity (2.6p.p. drag YoY in Q1 vs 1.4p.p. in Q4). MTR price reduction explains half of the underlying fall (1.1p.p. drag YoY in Q1 in line with 1.0p.p. in Q4)
- **ARPU YoY performance better than Q4** even before cleaning from the CSP revenues drag (-0.3 €/month). **Underlying ARPU trend positive YoY**
- Lower sales of handsets due to the lockdown (63% of YoY delta related to COVID 19) in addition to tail of new focus on margins



Mobile benefiting from flight to quality: TIM MNP balance positive in March

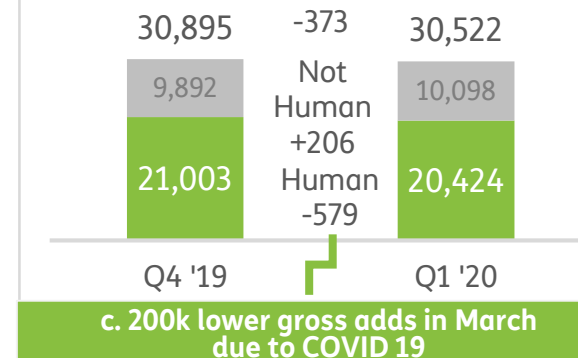
- **MNP** balance more than halved once again in Q1 (-47k vs -114k in Q4 '19), with TIM still best performer among established MNOs
- **Net adds** (-373k vs -359k Q4) and human lines have been initially impacted by lockdown (-38% MoM in March), **with improving trends in April and May**
COVID impact ~200k lines, related to lower gross adds in March
- **Churn** improved vs Q4 '19 (5.3% vs 5.5% Q4) despite lockdown impact on second SIMs. **Further improvement in April and May**
- **Kena contribution almost** halved QoQ, as most point of sales are in hopping malls closed during the lockdown

Churn rate

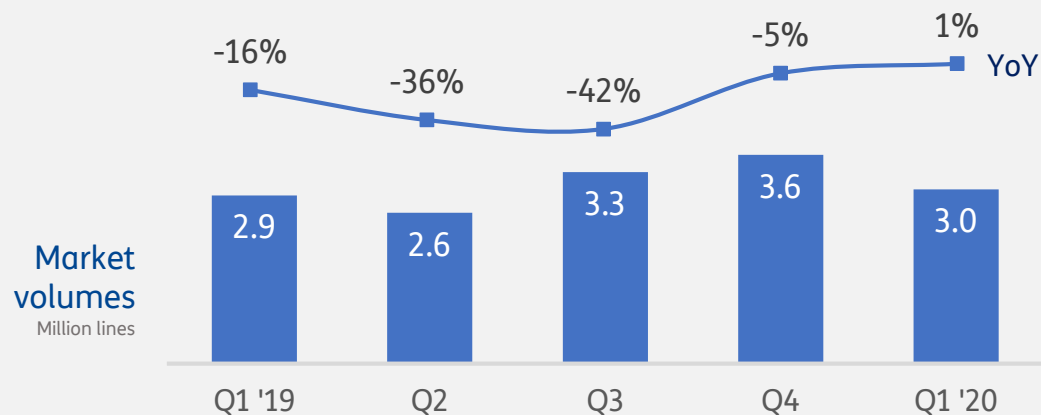


Customer Base

k, Rounded numbers



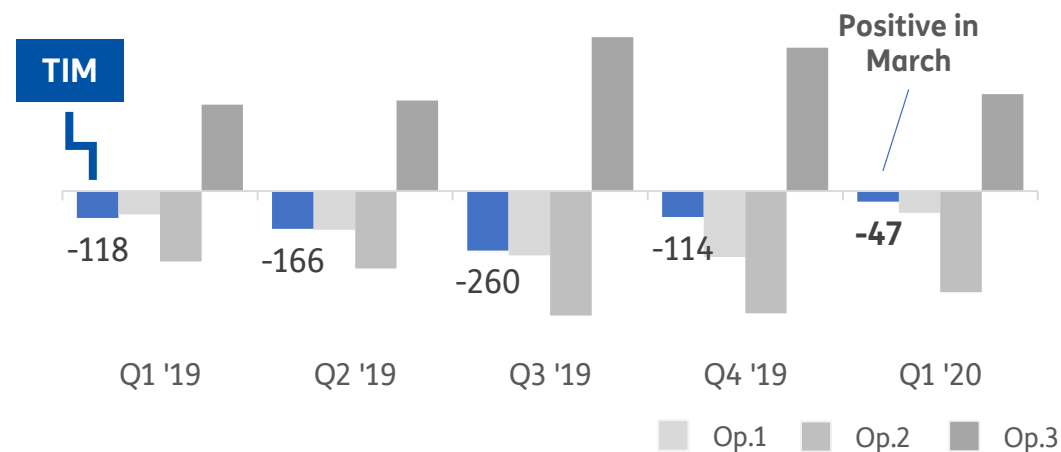
Market Mobile Number Portability



(1) Source: intra operator database

MNP - Operators balance

Lines x 1,000



Domestic Fixed: zero consumer line losses in April, not far from zero with B2B

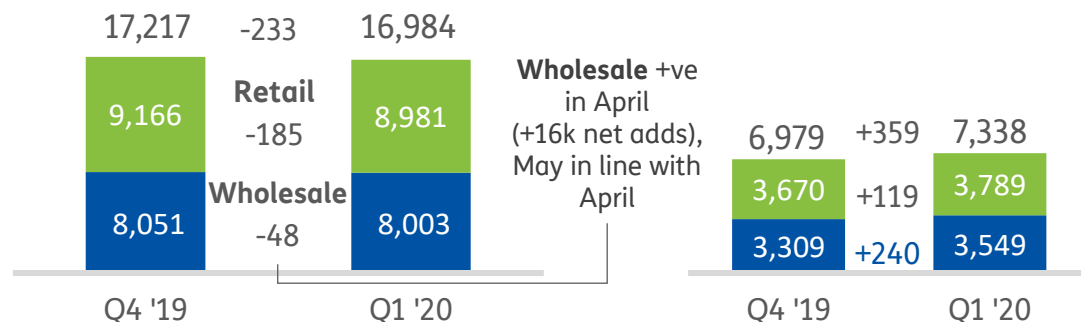
Wireline KPIs

Total Accesses ⁽¹⁾

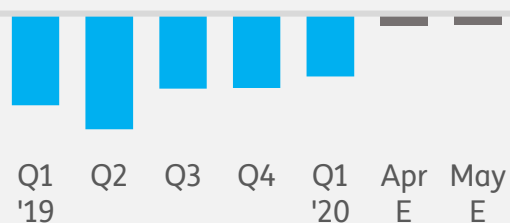
Lines x 1,000

UBB Accesses ⁽²⁾

Lines x 1,000

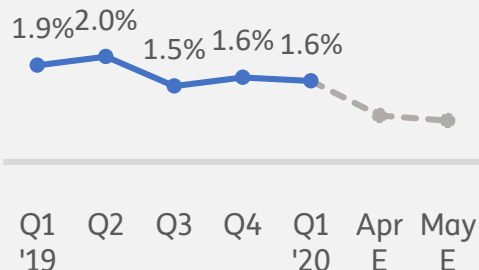


Retail line losses



Accesses churn

(monthly average)



Migration to UBB continues: ~7.3m lines reached, +5% QoQ and +22% YoY, thanks to push on fiber conversion and FWA offer

Early benefits from “fix the fixed” initiatives. More in Q2: exclusive Disney offer launched on 24 March and ~7k new cabinets in rural areas opened in March/May (+1.2m HH served).

- **Zero consumer line losses in April**, not far from zero including business
- **Strong growth in fiber net adds despite lockdown**: +119k fiber net adds vs. +105k in Q4 although gross activations were affected by the lockdown while churn was still reflecting December/January/February disconnections. BB net adds continued to grow as well
- **Wholesale fiber lines still above ULL losses**: +240k VULA net adds vs. +233k in Q4 '19 (12k more than ULL losses). Total wholesale lines down 48k attributable to a slowdown on gross activations (WLR and bitstream), due to lockdown. Net balance turned positive in April and May

- **Market discipline**: competitors not levelling down prices in Q1. Some price increase here and there by competitors
- **Churn rate at 4.8% in Q1, down 0.9pp YoY and 0.2pp QoQ** thanks to lower disconnections across all typology (bad debt, switch of operator, cancelation). Further strong improvement in Q2
- **ARPU growth** affected by stopping the washing machine effect, in addition to no price increases and lower revenues from activation fees

FSR still affected by Sparkle and new, sustainable cash generation culture

Total Fixed Revenues down 9.7% YoY, with Equipment affected by the lockdown (-3.5% vs +18% in Q4 '19)

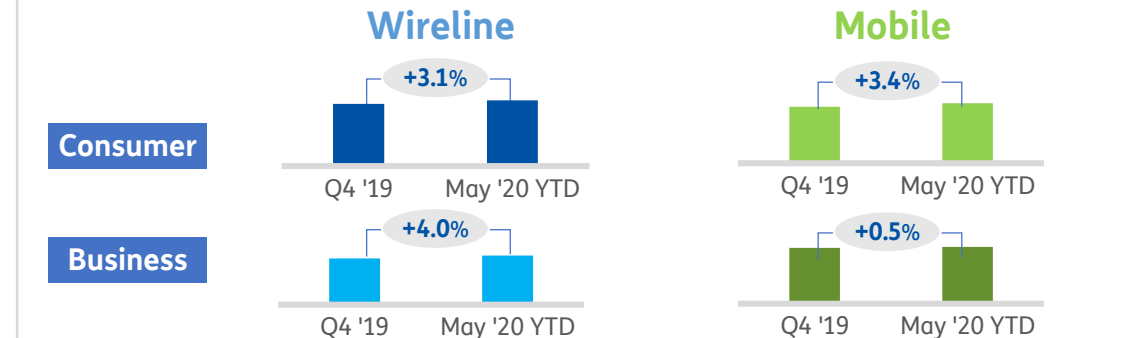
Fixed Service Revenues (FSR) affected by:



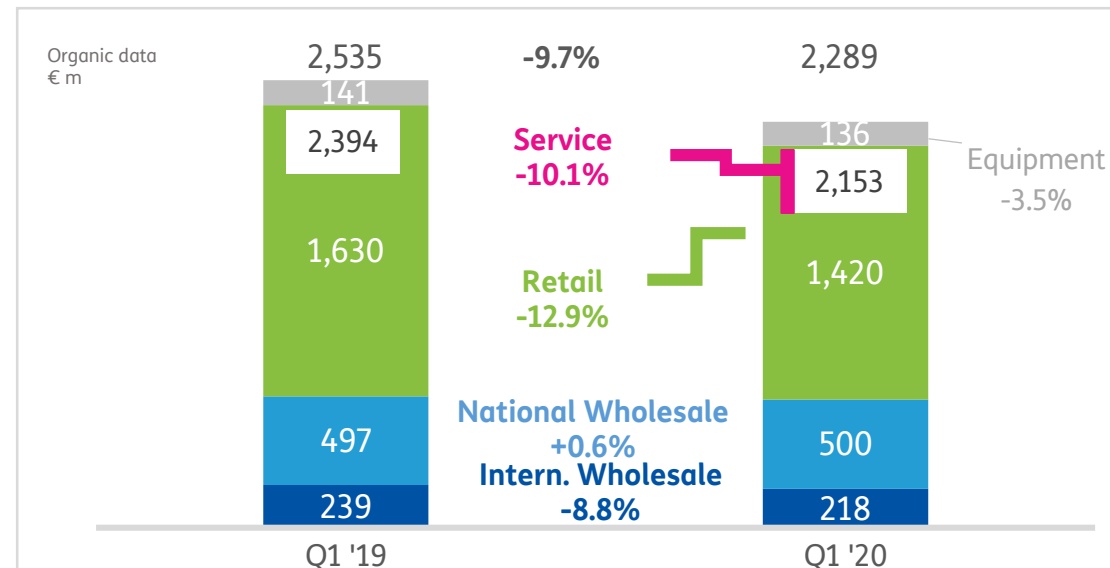
- Sparkle's strategy revision explaining 1.0 p.p. decline YoY (no impact on margins)
- Shift to equipment accounting for another 0.4 p.p. (different offer structure in consumer - modem now paid - and B2B - ICT related sales)
- reduced washing machine effect (lower activation fees) with cash flow strongly benefiting (lower commissions and provisioning)

- **Retail** affected by the decision not to level up prices, which benefitted KPIs and strongly benefited CSI, and by softer revenues in the SME segment
- **National Wholesale** up 0.6% benefiting from VULA growth above ULL decline
- **Sparkle's International Wholesale** revenues down 8.8%, following strategy revision (no impact on margins)
- **Customer Satisfaction Index improving on all segments**

Customer Satisfaction Index (CSI)¹



Wireline Revenues



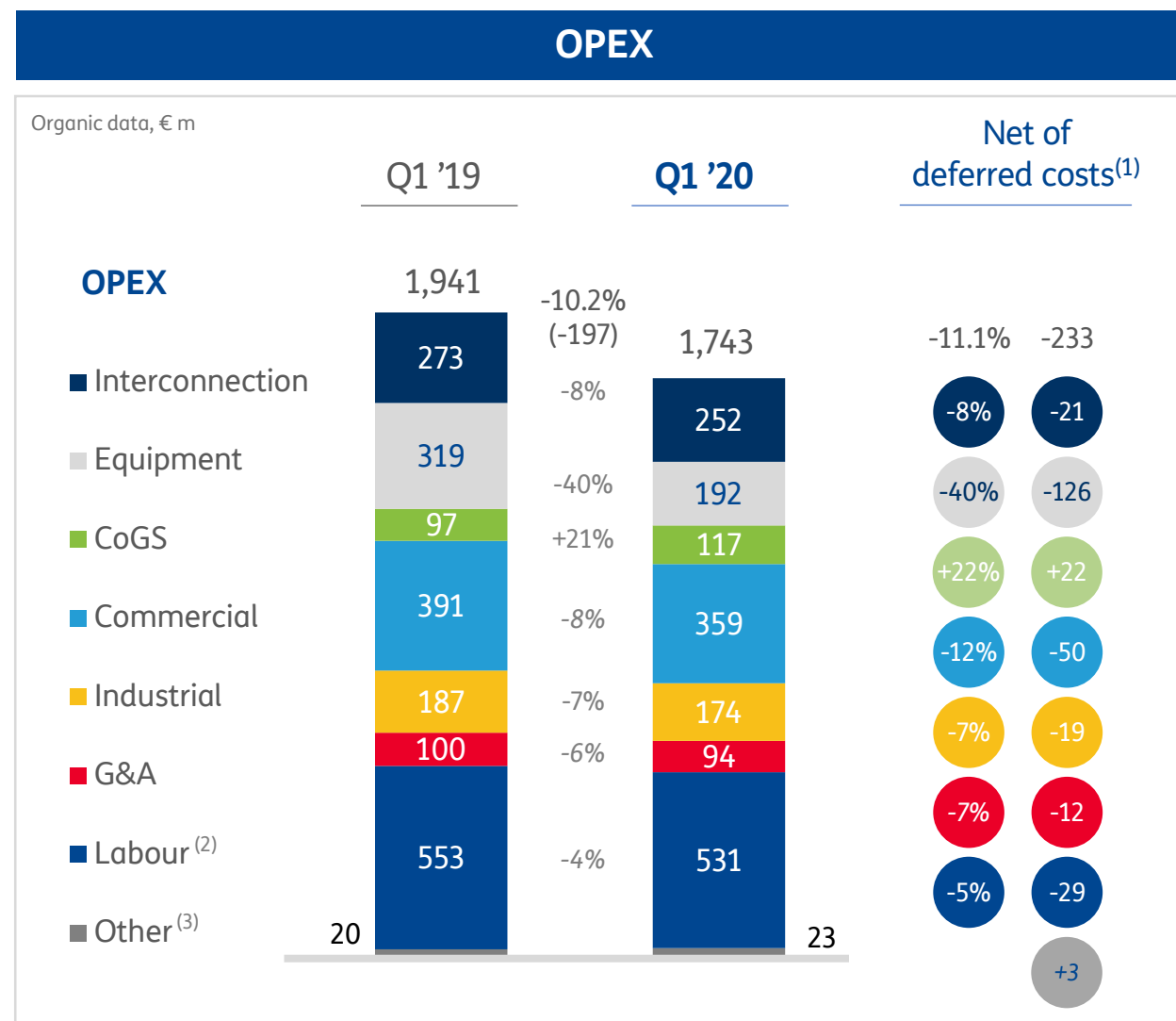
(1) Preliminary results up to May Ytd'20. CSI is an established methodology based on ACSI (American Customer Satisfaction Index) developed by University of Michigan's School of Business

Cost reduction continuing: -11% YoY on cash view

OPEX reduction continued in Q1: -10.2% YoY with addressable costs down 5.6%, in line with 5.4% in Q4 (-7.6% cash-view, in line with -7.4%)

Net of deferred costs, on a cash view, the overall reduction reaches € 233m (-11.1% YoY)

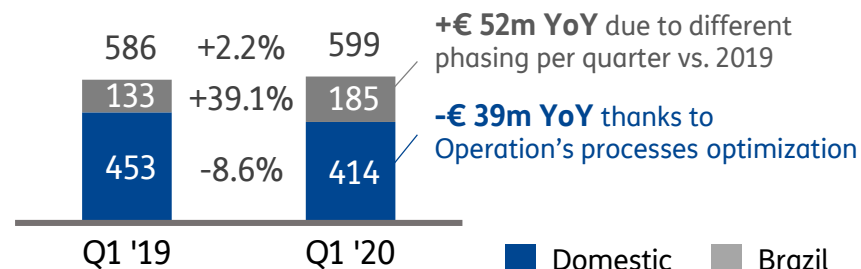
- **Interconnection:** still benefiting from new strategy for Sparkle and lower regulated prices
- **Equipment:** strong fall both related to lower handset revenues (Covid-19 lockdown) and better equipment margins
- **CoGS:** increase mainly related to IT revenue growth
- **Commercial:** benefiting from reduced “washing machine effect”, stopped CSP services, better bad debt management, alongside further efficiencies in customer care and commissioning
- **Industrial:** decrease in network cost (mainly delivery and assurance) and energy cost due to lower prices and consumption
- **G&A:** reduction in civil building
- **Labour:** benefiting from FTE reduction (~2.2k YoY)



Capex under control; NWC outflow improved € 296m YoY

CAPEX

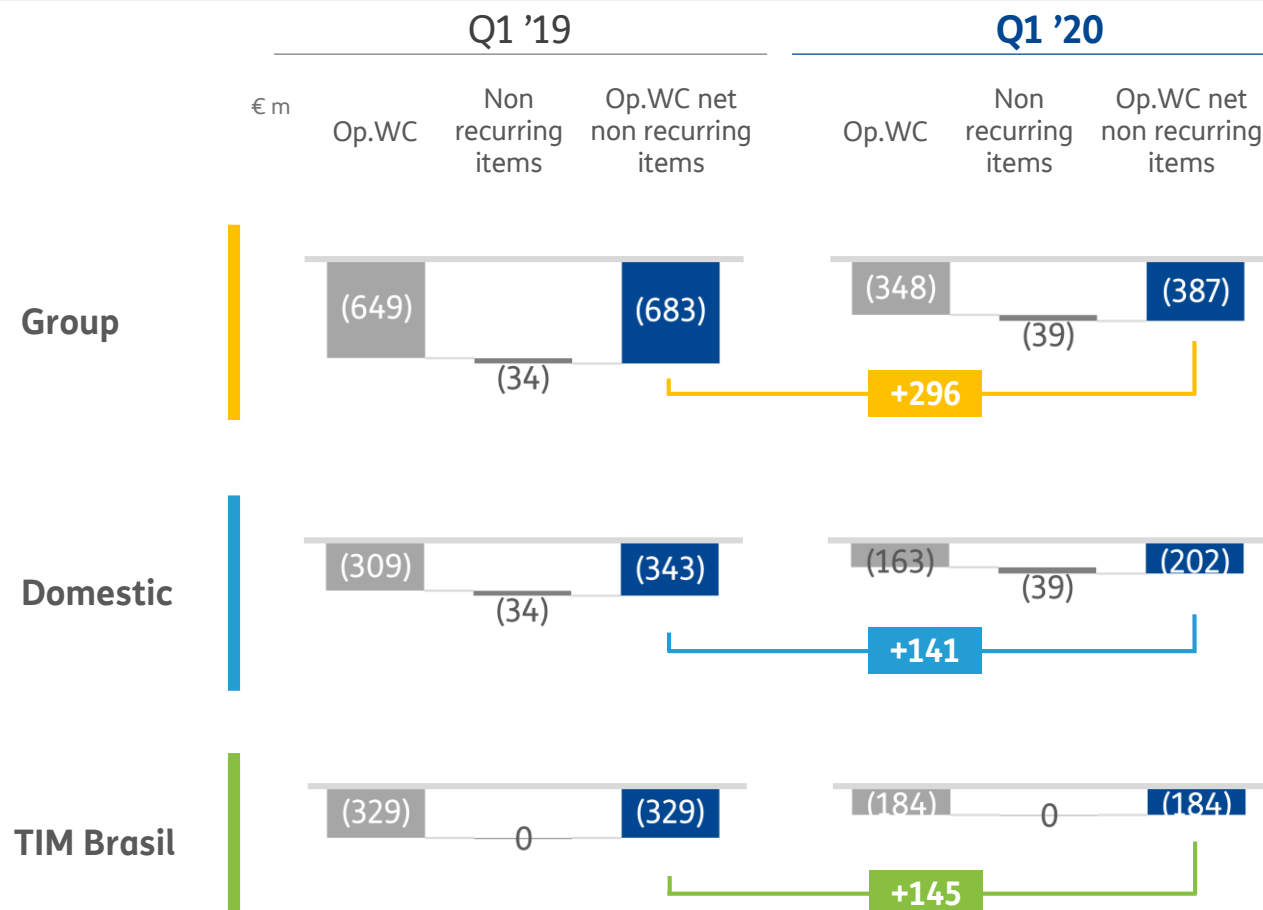
Organic data, € m



Group recurring NWC improving €296m YoY

- **Domestic improving € 141m YoY in Q1** thanks to better suppliers terms and lower trade receivables more than offsetting higher inventories caused by Covid-19 lockdown and one-off payments related to 2019 provisions for Sky settlement and regulatory fines (-€ 216m)
- **TIM Brasil improving € 145m YoY in Q1** mainly due to positive FX (+€ 128m) and better cash cost management, partially offset by higher Fistel payment vs. last year (-€ 28m)

Net Operating Working Capital



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



Liquidity margin - After Lease view

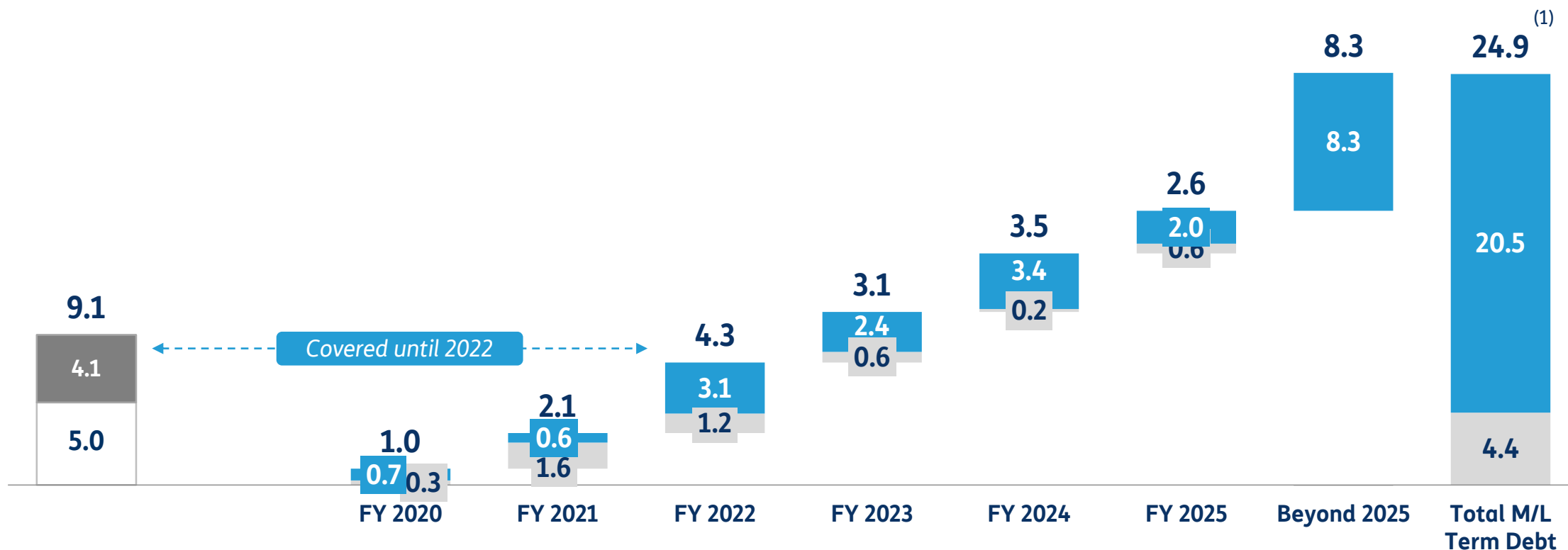
Cost of debt ~3.4%, -0.4p.p. YoY, ~0.2p.p. QoQ

Cost of debt ~3.4%

Cash & cash equivalent
 Undrawn portions of committed bank lines
 Bonds
 Loans

Liquidity Margin

Debt Maturities



(1) € 24,881m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 624m) and current financial liabilities (€ 1,476m), the gross debt figure of € 26,981m is reached

TIM Brasil solid execution despite s-t headwinds, with an eye on the future

Reported data, R\$m

Q1 '19

Q1 '20

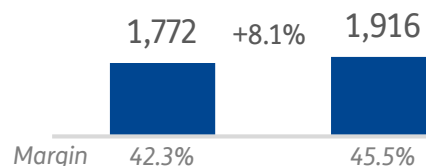
Solid execution despite covid-19 impact, with ongoing transition from volume to value, disruptive efficiency and cost discipline, new source of revenue and inorganic opportunities

Service Revenues



- **Service revenues** 1.6% YoY increase thanks to both Mobile and Fixed
- **MSR** +1.1% YoY thanks to improving postpaid (+3.7% YoY excluding interconnection), whilst prepaid was hit by lower # of rechargers mainly due to covid-19 social distancing measures (-4.5% YoY)
- **FSR** + 10.3% YoY driven by TIM Live (ARPU +6.1% YoY, CB +20% YoY)
- **EBITDA** +8.1% YoY thanks to resilient topline and further efficiencies driven by digital transformation (OPEX -5.0% YoY). EBITDA margin at 45.5%, up 3.2 p.p. YoY
- **Solid network development:** 9 new cities covered by FTTx, totaling 27 cities⁽¹⁾ (+93% YoY). New cluster launched: Betim and Contagem

EBITDA



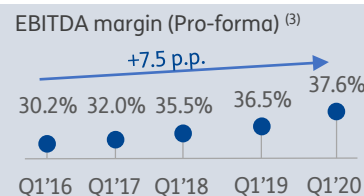
Mobile

ARPU +4.8% YoY to 23.9 R\$/month
Prepaid ARPU +4.6% YoY
Postpaid ARPU +4.3% YoY⁽²⁾

TIM Live

Revenues +29% YoY
CB +20% YoY to 584k
ARPU +6.1% YoY to 84.5 R\$

Consistent Margin



Robust Infrastructure

Leader in 4G coverage
3.5k cities, +6% YoY
Solid NGN expansion
>5.6m HH (FTTH+FTTC)

User Exp. Centric

Lowest latency
Greatest 4G availability
Up to 4x speed required for videocall app usage

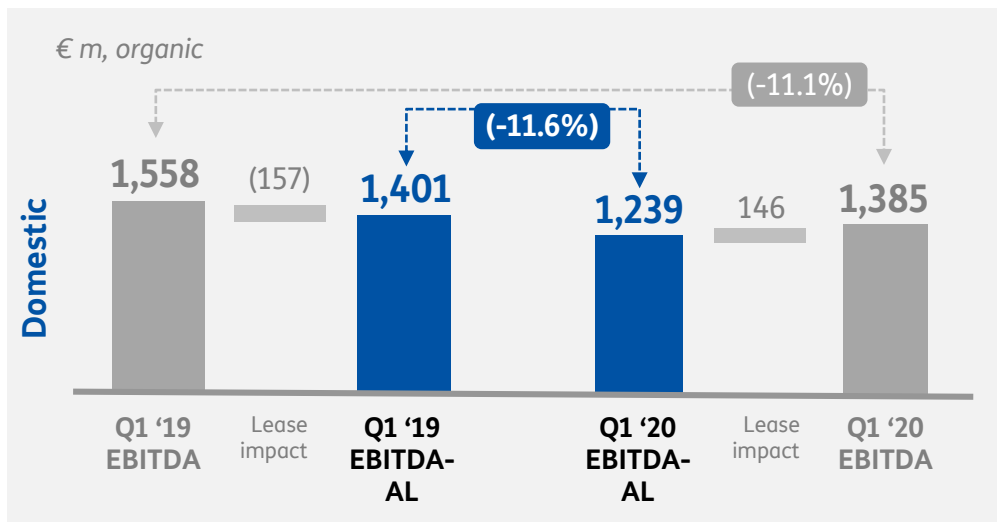
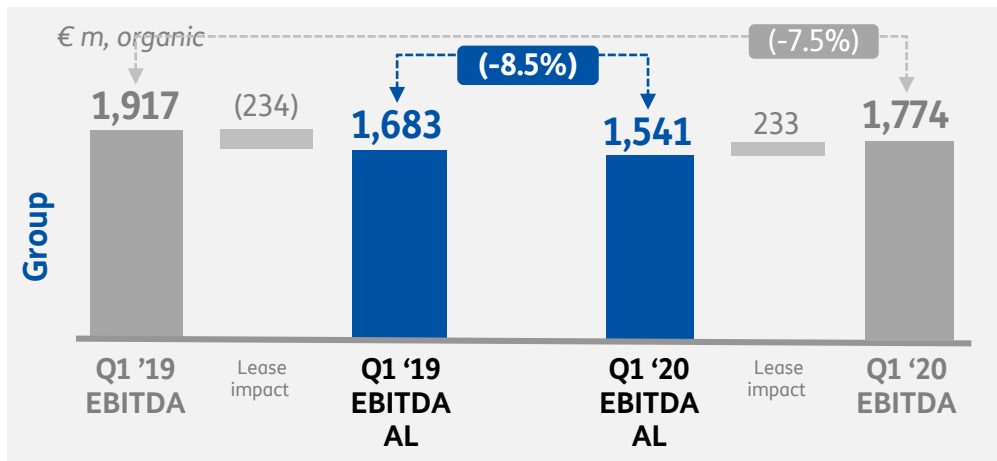
Beyond the core

First telco-bank partnership to develop joint solutions

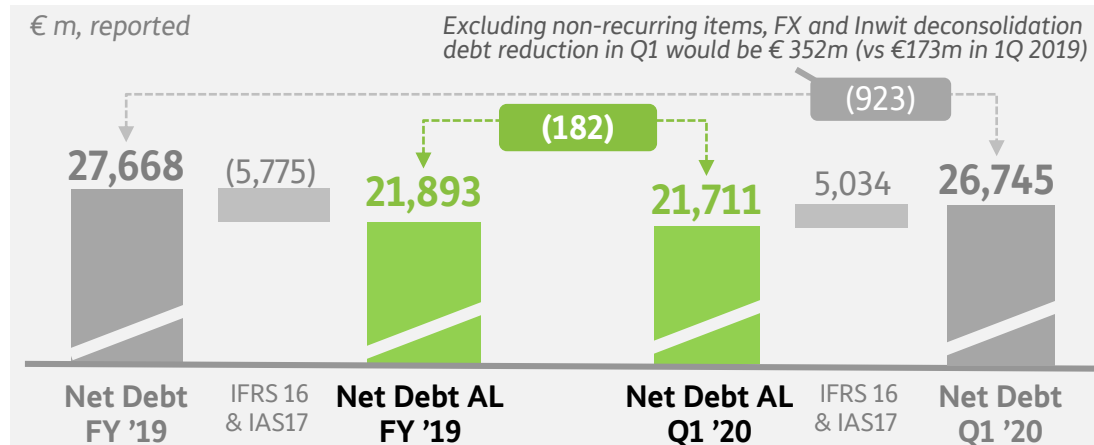
C6BANK

After Lease view

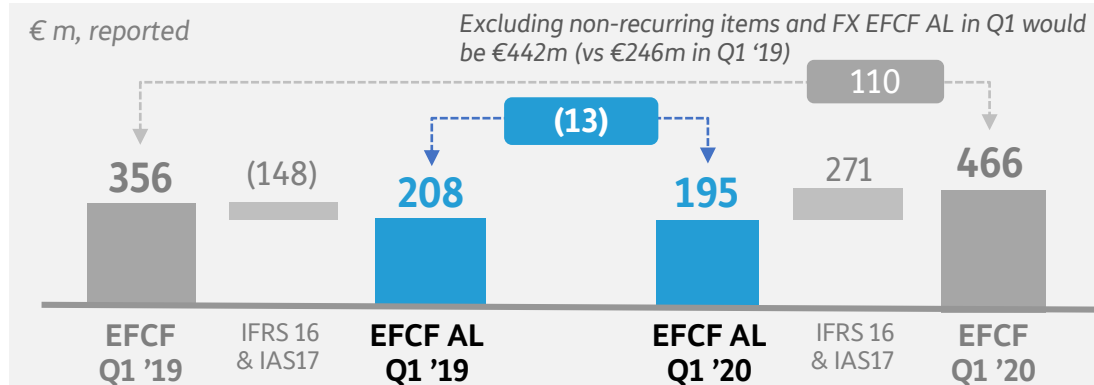
EBITDA After Lease



Net Debt After Lease



Equity Free Cash Flow After Lease



Final remarks and guidance

We are living an unprecedented period of health emergency worldwide resulting in high uncertainty and signs of economic recession. Telcos are resilient but not immune. **TIM has taken actions to react**, including a plan to contain costs and increase investment efficiency

For 2020 we aim to offset revenue or EBITDA shortfall due to COVID 19 with **incremental OPEX/CAPEX efficiencies**

Hence we expect to be able to **preserve 2020 EBITDA – CAPEX guidance** as well as **maintain 2021-22 guidance** and **2020-22 cumulated Equity FCF**

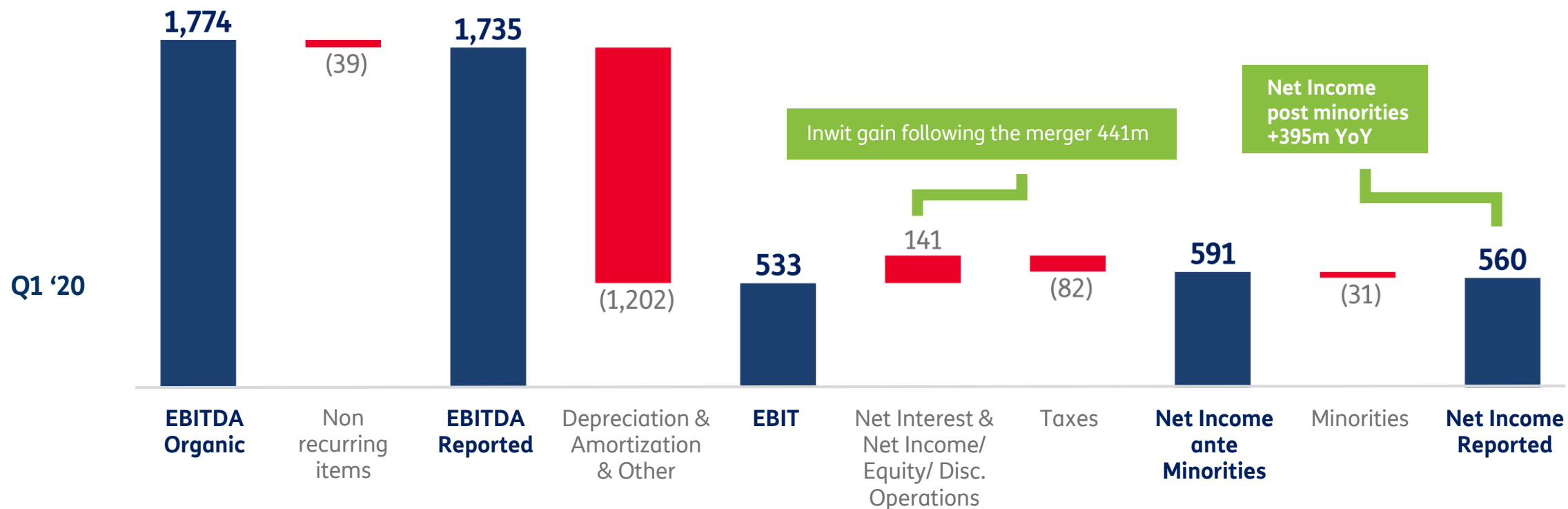
2021 deleverage guidance (<€20bn) **improves** thanks to the INWIT ABB and the Ardian Consortium transaction

Q&A

Annex

Net Income

Reported data, € m, Rounded numbers



Q1 '19	1,917	29	1,946	(1,263)	683	(387)	(109)	187	(22)	165
Δ	(143)	(68)	(211)	61	(150)	528	25	404	(9)	395

Liquidity margin - IFRS 16 view

Cost of debt ~3.9%*, -0.5p.p. YoY, ~0.2p.p. QoQ

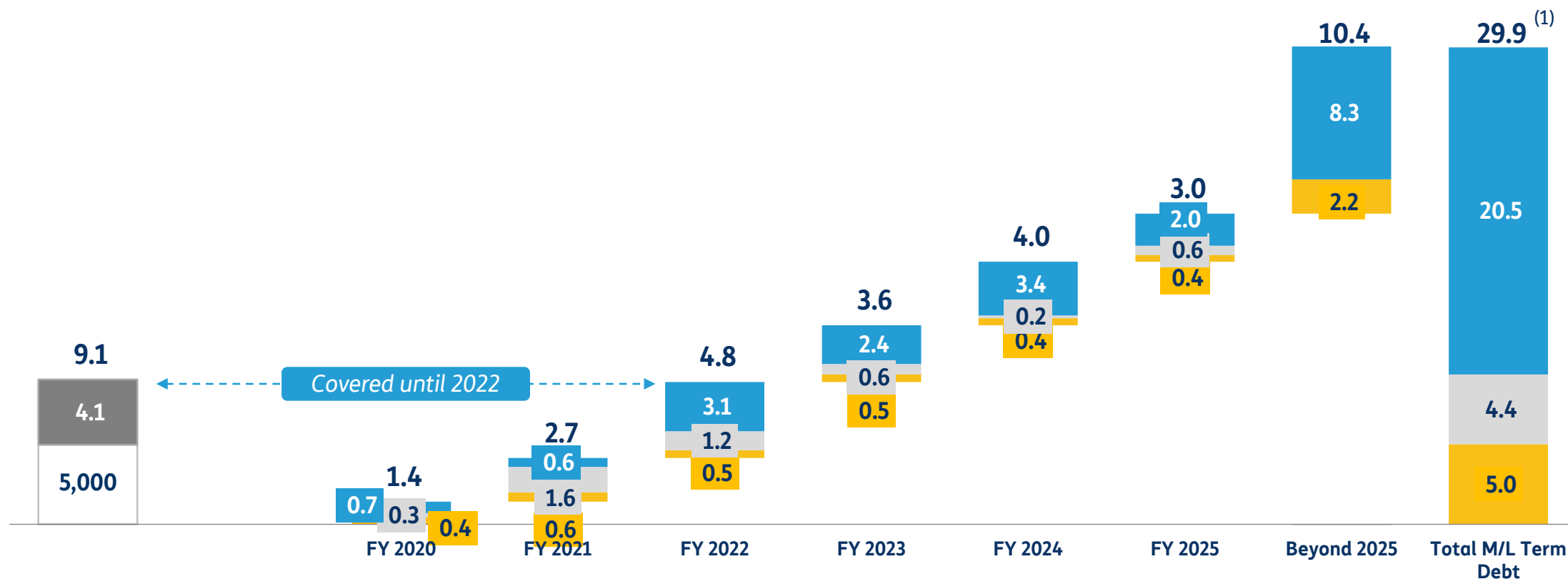
* Including cost of all leases

Cost of debt ~3.9%

Cash & cash equivalent
 Undrawn portions of committed bank lines
 Bonds
 Loans
 Finance Leases

Liquidity Margin

Debt Maturities



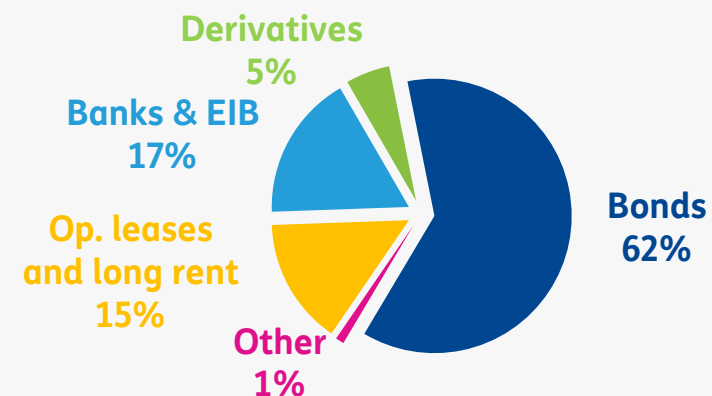
(1) € 29,907m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 656m) and current financial liabilities (€ 1,476m), the gross debt figure of € 32,040m is reached

Well diversified and hedged debt

€ mln	NFP adjusted	Fair value	NFP accounting
GROSS DEBT			
Bonds	20.647	301	20.948
Banks & EIB	5.860		5.860
Derivatives	145	1.637	1.782
Op. leases and long rent	5.059		5.059
Other	329	0	329
TOTAL	32.040	1.938	33.978
FINANCIAL ASSETS			
Liquidity position	4.089		4.089
Other (*)	1.206	2.114	3.320
TOTAL	5.295	2.114	7.409
NET FINANCIAL DEBT	26.745	-176	26.569

* Refers to positive MTM derivatives (accrued interests and exchange rate) for € 1,054m, financial receivables for lease for € 94m and other credits for € 58m

Gross Debt



Maturities and Risk Management

Average m/l term maturity:
8.2 years (bond 7.4 years only)

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

Around **27% of outstanding bonds** (nominal amount)
denominated in **USD and GBP** and **fully hedged**

In fiber: KKR chosen for a dual track approach towards one single network

We delivered on our promises

- TIM selected KKR Infrastructure (“**KKR**”) as financial partner
- Dual track approach:
 - **Integration with Open Fiber**
 - **Minority investment of KKR** in TIM’s secondary network
- **Government support for a single network**
- **Preparatory works similar** in both cases

Partnership with KKR

TIM entered an exclusivity period with KKR in response to **KKR’s offer to acquire a ~40%** stake in FiberCop, a Newco owning TIM’s entire secondary network (both fiber and copper)

FiberCop will:

- **Manage TIM’s secondary copper network**, which is going to progressively switch to fiber (and partially to FWA) over time
- **Develop fiber secondary network in Black & Grey areas**
- **Continue to provide copper access in areas not reached by FTTH**
- **Act as a wholesale operator** providing **copper and fiber access passive services** to TIM and other OLOs
- **Act as integrator of Open Fiber at the right conditions**

Development of the **infrastructure will remain under TIM's control**



- Network deployment in ~1,600 cities (in **Black and Grey areas**)
- Target coverage c. **13.5m HH¹ by 2026** (i.e. >55% of total HHs¹ in Italy)

First step overview: KKR transaction financials and perimeter

- **Compelling valuation**, valuing TIM's secondary network (incl. both fiber and copper) € 7.5bn EV
- **The transaction represents a first step towards a potential deal with Open Fiber**, which would unlock potential synergies

Enterprise value

€ 7.5bn

Stake acquired

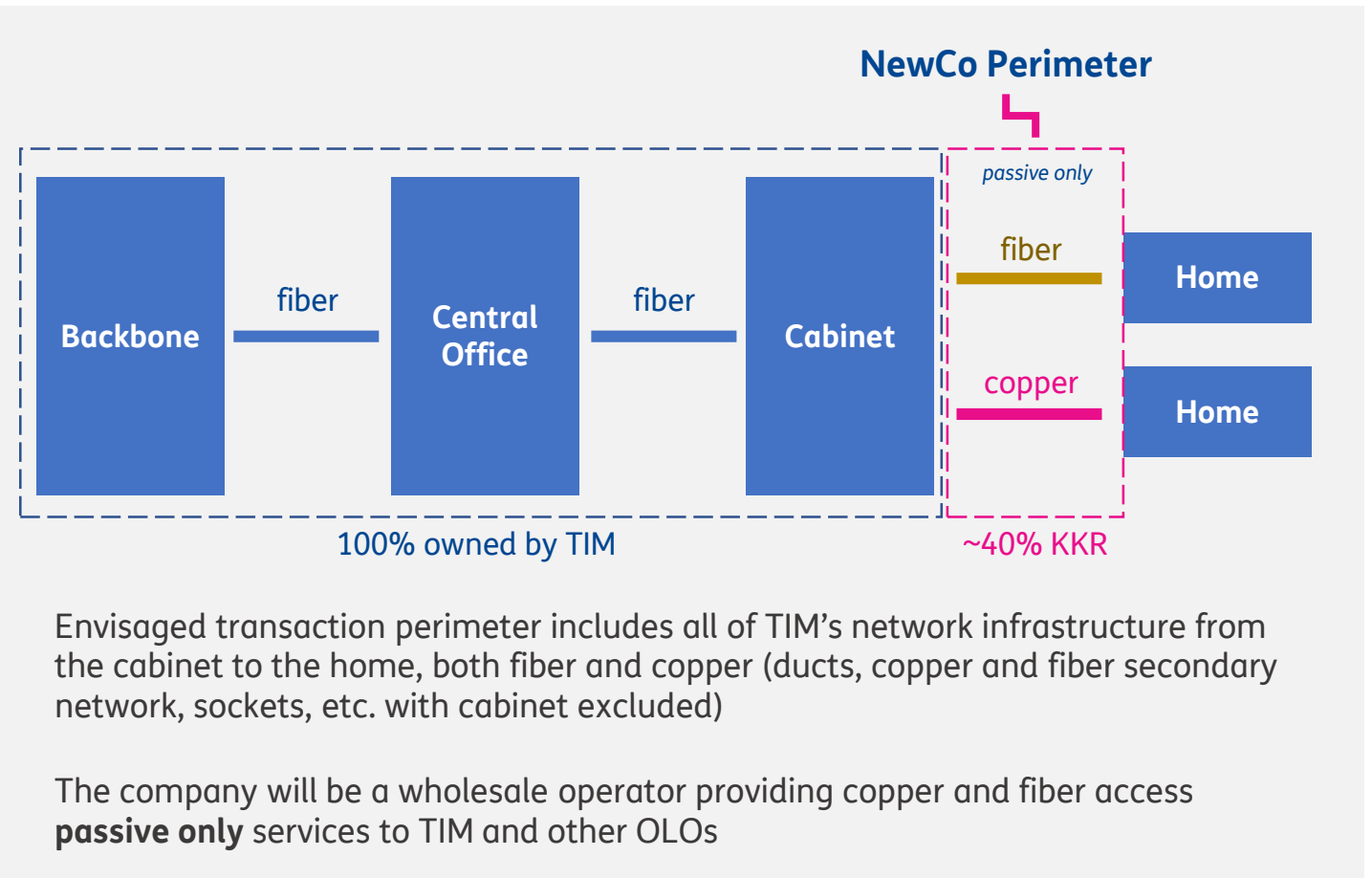
~40%

Equity Value

~€ 4.2bn

Cash-in for TIM

~€ 1.8bn



For further questions please contact the IR Team

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