TIM GROUP

Q2 '20 Results

Lighter debt, improving KPIs, on the path towards the Single Network for Italy

5 August 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 Q2 '20 and H1 '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 the limited review by the external auditors (E&Y) on the TIM Group Half-year Condensed Consolidated Financial Statements at 30 June 2020 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 (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.

"Operations TIMe": engaging employees, improving CSI and KPIs

	What happened in Q2	KPIs
Culture, engagement and **organization**	▪ **Customer Satisfaction Index/Net Promoter Score growing** ▪ New **employee shareholding plan** launched ▪ **Early retirement plan** continues at full speed	**CSI** [1] **+3%** mobile, **+2%** fixed **CSI** wholesale **+1%** **2.8k** exits in H1 / **3.4k** planned in FY[2]
Domestic	▪ **Positive mobile net adds** ▪ Strongly improved **fixed KPIs** point to **H2 FSR YoY** better vs. H1 ▪ Enhanced **UBB** rural coverage and **take up** ▪ More digital sales channels and direct payments	Mobile calling net adds **+87k** **~zero** Consumer **line losses** +1.2m UBB HHs, **+0.5m FTTx lines** Fixed Web sales **+138% YoY** Direct payment **75%** of gross adds
Brazil	▪ Enhanced **OPEX saving** offset COVID-19 impact on revenues ▪ Strong growth in **cash generation**	EBITDA **+1.0%** YoY EBITDA-CAPEX **+29%** YoY
Cash generation	▪ Organic **cash generation continues** ▪ **Net Debt** record level decrease ▪ **EFCF guidance confirmed, debt reduction improved**	Eq FCF AL **€ 336m** in Q2 Net Debt AL **-€ 0.6bn** QoQ

(1) CSI – Customer Satisfaction Index – Q2 '20 vs. Q4 '19
(2) 2.4k exits accounted plus 0.4k other exits already agreed in H1

Service portfolio enriched; TIM TV now a key differentiating factor

TIM-Google WiFi calling

First integration of **digital assistant** with legacy F-M networks in EU

TIM TV TIMVISION

New, dedicated bundles introduced: Netflix and Sports

TIM UNICA BUSIN€SS

Launched **convergence in the B2B segment**

Smart working

New convergent VPBX solutions

TV TIMVISION

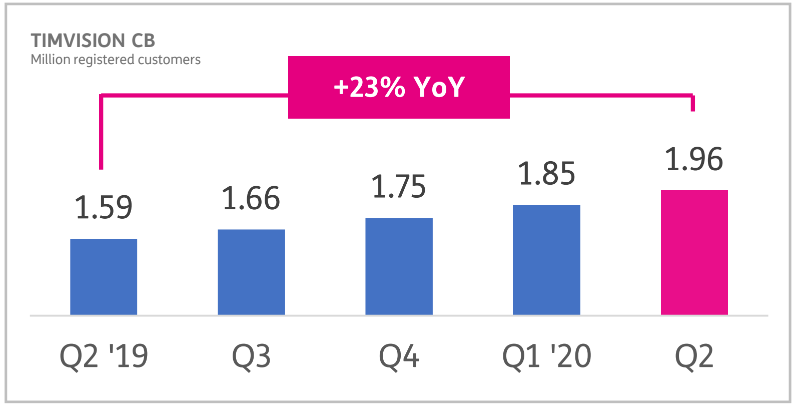
NowTv & Dazn (sport)	29.99 €/month	*RELAUNCHED IN JUNE*
Mondo Netflix	12.99 €/month	*LAUNCHED IN MAY*
Mondo Disney+	3.00 €/month	*TIM EXCLUSIVE*

NEW PACKAGES TO COME IN SEPTEMBER

Unique partnerships positioning TIMVISION as a leading content aggregator

Disney+ *exclusive*

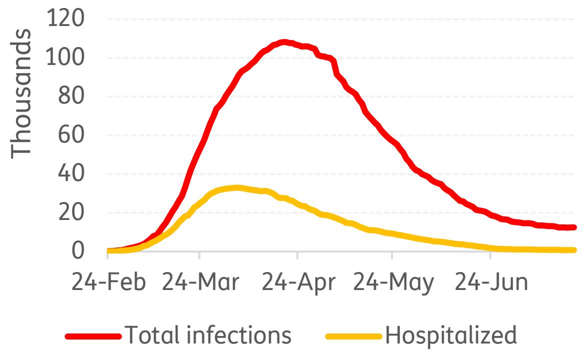
TIMVISION customers growing double digit



TIMVISION Box, enabler of full TIMVISION experience

COVID-19 update: Italy gradually back to normality

Italy post-lockdown

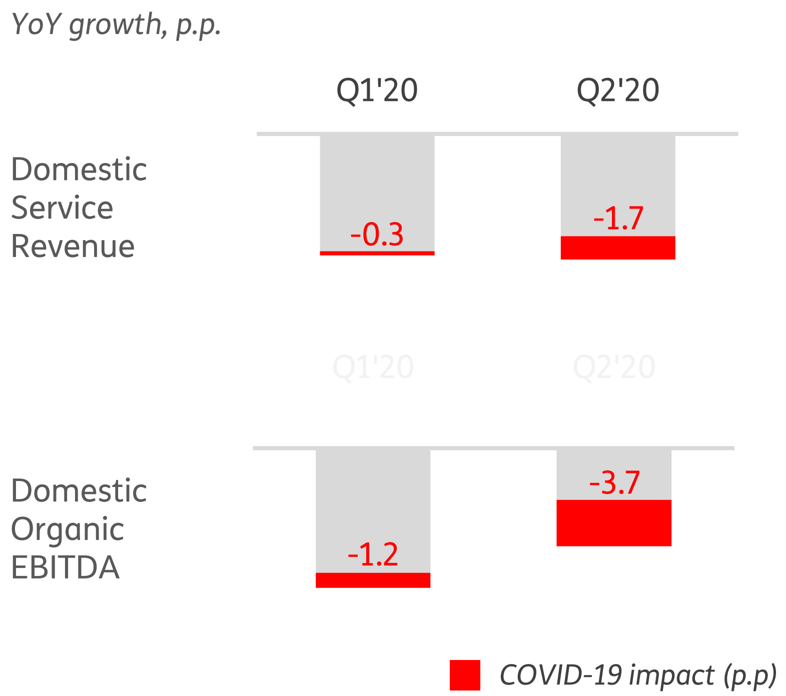


Source: Civil Protection website

- Zero new cases in many regions
- Major public intervention for Italian families and businesses (€ 209bn recovery fund)
- New focus and push on digital and connectivity (€ 2.7bn public funding for vouchers and roll out)

Short-term impacts on TIM

COVID-19 impacting top line and EBITDA



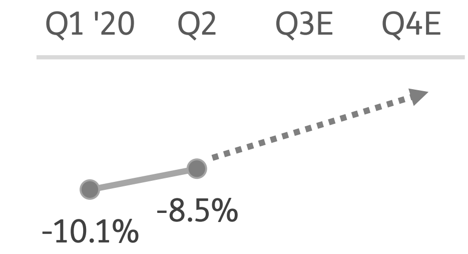
Medium/long term

Increased demand for digital services

- Cultural step towards digital
- Inversion of fixed to mobile substitution trend
- FSR expected to benefit starting from H2

Fixed Service Revenue

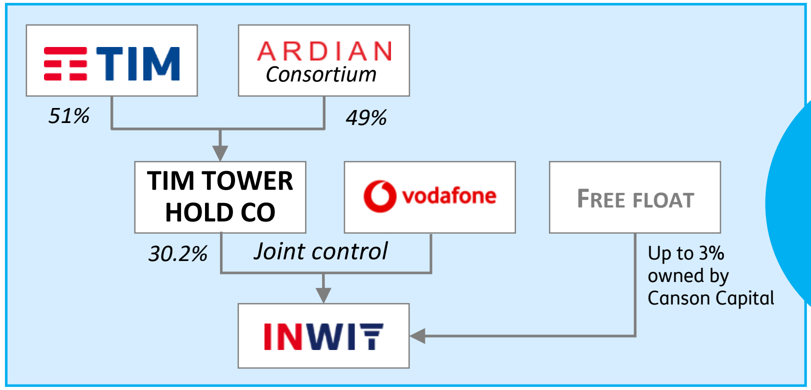
Organic, YoY change



Strategic initiatives update

Monetized mobile towers, retaining joint control

		Cash-in for TIM
€0.65bn	ABB and dividends	Q2
c. €1.6bn	Ardian consortium deal	Q3



Total debt reduction >€2bn vs. €1.4bn targeted

Cloud services and data centers on the way

- **Top clients onboard** (eg. Intesa Sanpaolo, RCS)
- **Data center carve-out confirmed** by October '20

Data center NewCo targets

€1bn	Revenues 2024
€0.4bn	EBITDA 2024

Develop TIM Brasil

- TIM Brasil, VIVO and Claro have submitted a R$ 16.5 billion binding offer for Oi mobile business subject to certain conditions, including the Offerors selection as "stalking horse"

TIM co-investing with Fastweb & KKR towards the Italian single network

KKR extended its binding offer to 31 August
on Government request to create a broader single network

TIM's BoD strongly welcome Government's will to accelerate the single network project
and mandated the CEO to interact accordingly with Authorities

FiberCop to be the carve out of TIM's passive secondary network

- **The largest passive infrastructure wholesaler in Italy,** with key customers such as TIM and Fastweb and all main OLOs
- **FTTH** connecting **c.20%** of technical units [1], **56%** by **2025** [2], corresponding to **76%** of Black and Grey areas
- **FTTC connecting c. 85% of technical units** [3] (>100Mbps speed for c. 50%, >50Mbps speed for c. 85%)

…allowing TIM to complete fiber roll out while deleveraging…

- **€4.7bn equity value and €1.8bn cash proceeds for TIM** through the sale of 37.5% to KKR
- **TIM to be the exclusive builder and technical supplier** for FiberCop's network roll out & maintenance

…and sharing benefits and risks with strong partners

- **TIM at 58%**
- **KKR Infrastructure at 37.5%** paid in cash
- **Fastweb at 4.5%** through contribution of 20% of Flash Fiber
- **FiberCop €7.7bn enterprise value** at start

Carve out and valuation of FiberCop key step towards:

- **Co-investment with OLOs**
- **Multiples rerating**
- **Creation of Italy's single network**

Letter received from the Italian Government on commitment to work on the creation of a single network for Italy

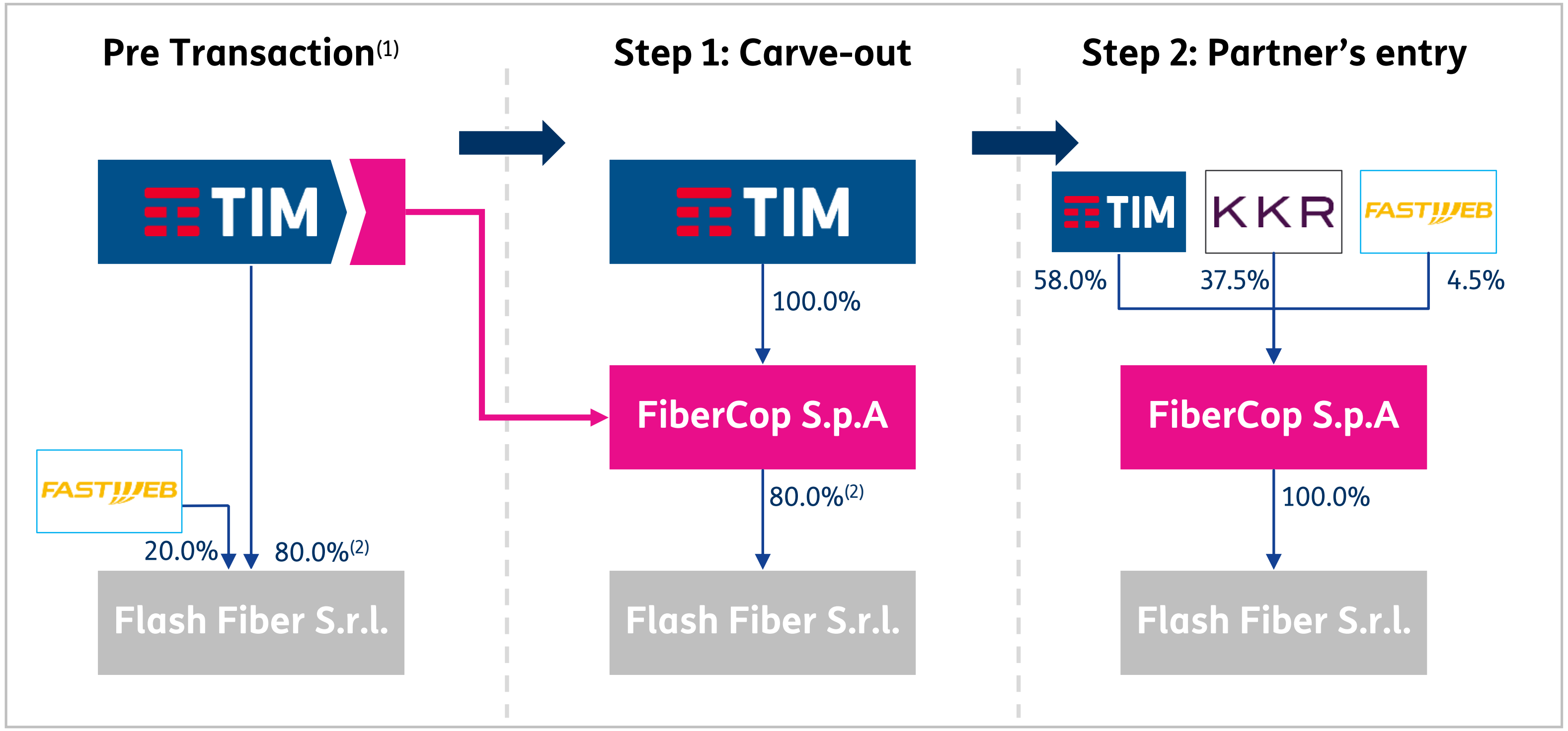
(1) By YE 2020; technical units = residential or business sites which have had a fixed line connection in the last 10 years, corresponding to c. 5m occupied premises based on ISTAT
(2) Corresponding to c. 16.5m occupied premises based on ISTAT
(3) Corresponding to c. 25m occupied premises based on ISTAT

Unlocking hidden value and rerating path through FTTH/UBB adoption/deployment

Business rationale	▪ **Lead Italy's accelerated adoption and deployment of top-quality UBB networks** ✓ Accelerate migration of TIM's customer base from copper to fiber ✓ Equity finance the FTTH roll-out ▪ **Co-invest with Fastweb** according to EU Telecommunication Code art. 76 (**regulation eased**): FiberCop supplier to Fastweb for secondary network ▪ **Close digital divide,** rolling out fiber in grey areas and FTTC in white areas ▪ **Consolidate TIM's position in the creation of the National fiber network**
Key benefits for TIM	▪ **Unlock hidden value** ✓ **Multiple accretive transaction** ✓ **Path to rerating** for secondary network from shift to fiber from copper whilst **retaining strong control** ▪ **Set-up a partnership with one of the world's most reputable financial investors**, with relevant experience in the infrastructure and TLC space ▪ **Strongly enhance cash generation profile** after the roll-out period (2025), with CAPEX on sales <10% at regime ▪ **Accelerate deleverage**

Overview of the Transaction structure, as per KKR Infrastructure binding offer

Transaction structure



Key terms of KKR entry

FiberCop Enterprise Value	€ 7.7bn
Debt allocated to FiberCop (TIM intercompany loan)	€ 3bn
FiberCop Equity Value	€ 4.7m
Stake acquired by KKR	37.5%
Cash-in for TIM	€ 1.8bn

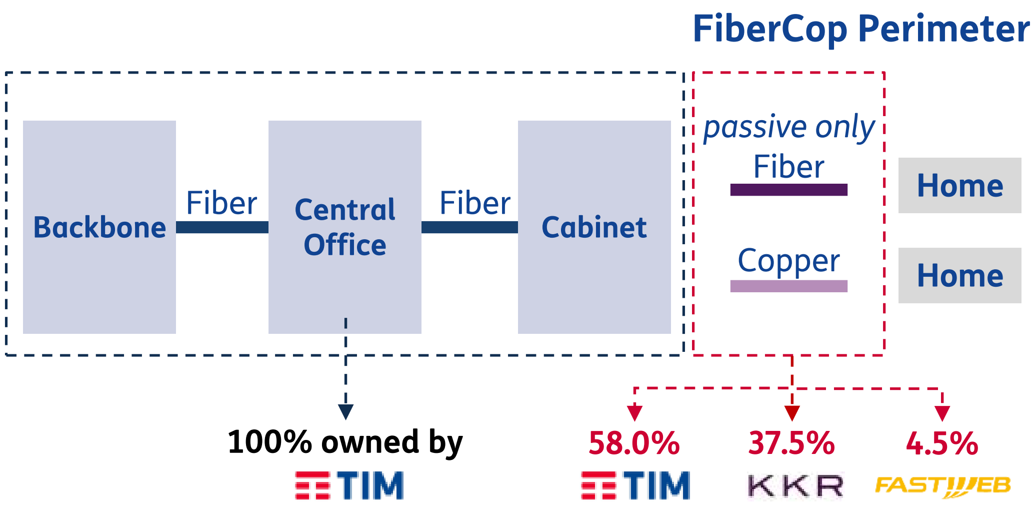
Unlocking rerating opportunity whilst retaining strong control

(1) Before the carve-out TN Fiber to be merged in TIM
(2) 20% stake in Flash Fiber owned by Fastweb to be contributed in exchange of FiberCop shares

FiberCop at a glance

Simplified FiberCop perimeter

Including all of TIM's passive secondary network infrastructure, both copper and fiber, from the cabinet to the home, (ducts, secondary network, sockets, etc. with cabinet excluded)



FiberCop operating model very lean

- **FiberCop** to own TIM's secondary network infrastructure
- Complete fiber secondary network roll out in Black & Grey areas
- Provide passive access services to TIM and other OLOs
- Number of employees <100

- **TIM** to execute all operational activities for FiberCop, from design to network construction, maintenance and assurance
- Perform general services, from corporate affairs to treasury and procurement
- Be customer of FiberCop on equal terms vs. Fastweb and other OLOs

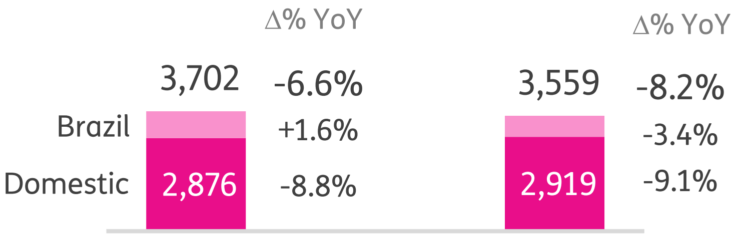
Financial Update

Q2 Highlights: Record quarterly deleverage

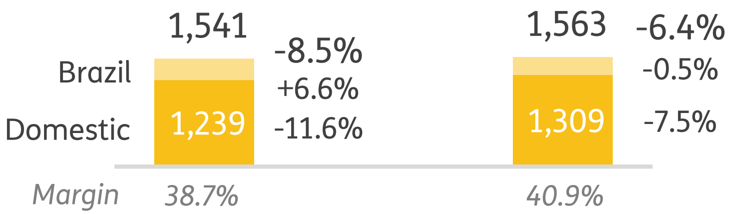
Organic data [1], IFRS 16, € m

Q1 '20 | Q2 '20

Service Revenues

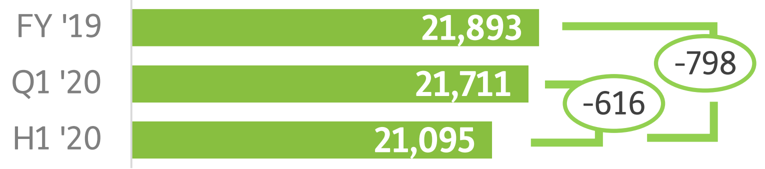


EBITDA After Lease



Equity FCF After Lease

Net Debt After Lease [2]



Impact of COVID-19 on **Revenues** mitigated by **accelerated cost cutting** both in Italy and Brazil, leading to Group and domestic **EBITDA** trend **better than Q1**

Record high quarterly Net Debt reduction thanks to strong organic and inorganic cash generation (-€616m QoQ After Lease)

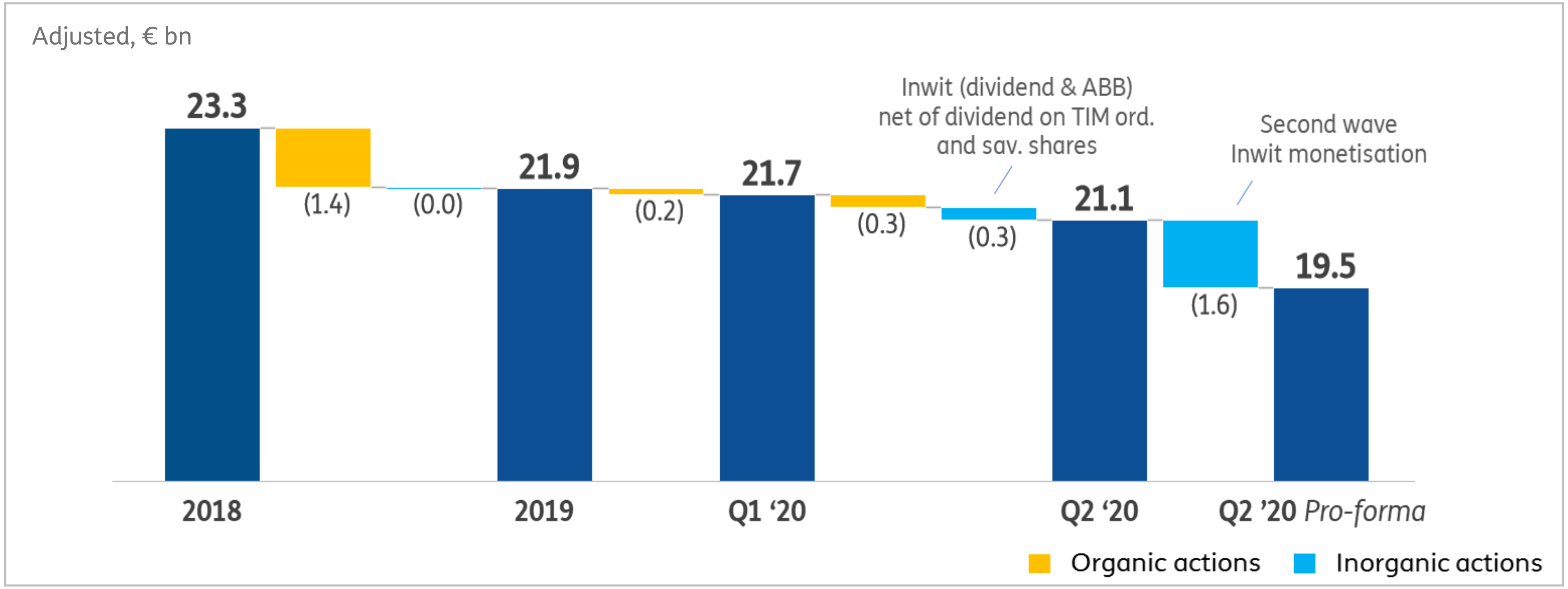
Equity Free Cash Flow AL of **€336m**. In H1 Equity FCF reaches €788m, in line with 2019 excluding FX and one-off payments

Under IFRS16, debt reduction reaches €774m and EFCF €511m in Q2

(1) Excluding exchange rate fluctuations, non recurring items and change in consolidation area
(2) Adjusted Net Debt

€3.8bn debt cut in 20 months

Group Net Debt After Lease



€1.9bn organic debt reduction achieved in 18 months

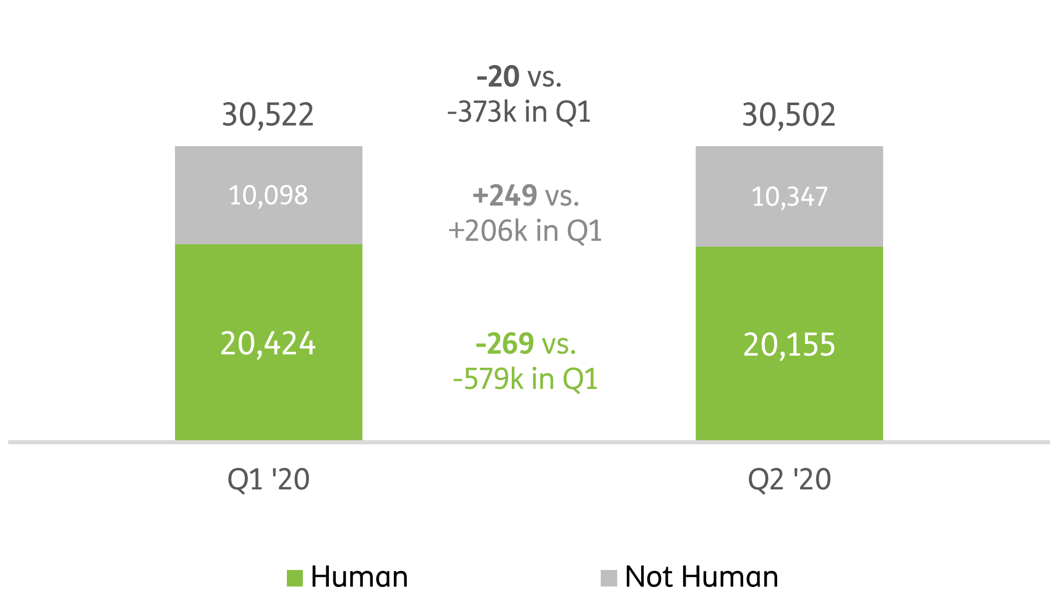
>2€bn deleverage through INWIT monetization (€1.6bn in Q3)

Additional **€1.8bn** from KKR transaction expected by H1 2021

Mobile: calling customer base back to growth for the first time in 2 years

Customer Base

k lines, Rounded numbers



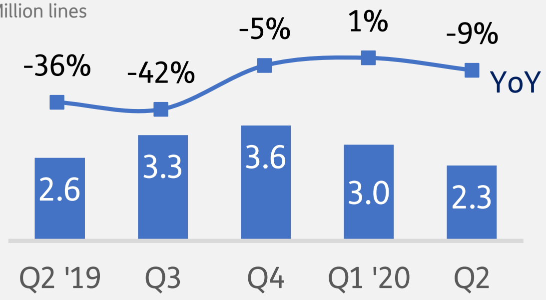
CSI improved. **Net Promoter Score** well above large operators'

Stabilization of customer base (CB) key for turnaround: CB decline explains >5pp of MSR decline in Q2

Market MNP shrunk further in Q2

MNP market volumes (1)

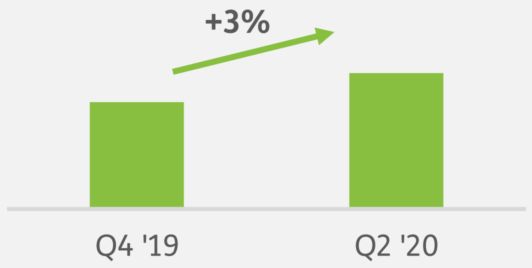
Million lines



Source: intra operator database

Mobile Customer Satisfaction

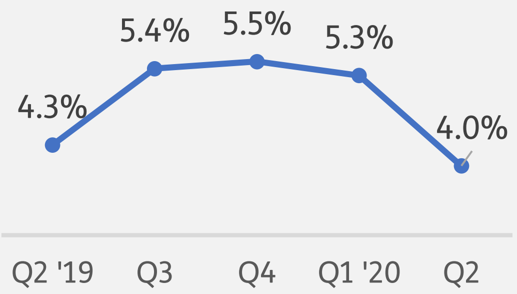
CSI mobile (2)



Churn further reduced QoQ

Churn rate

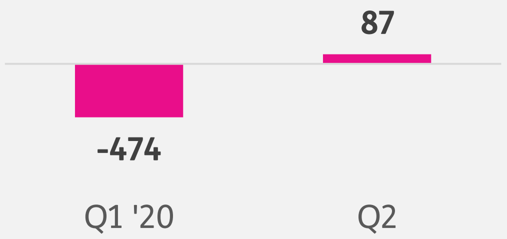
%



«Calling» net adds positive

Human Calling net adds QoQ

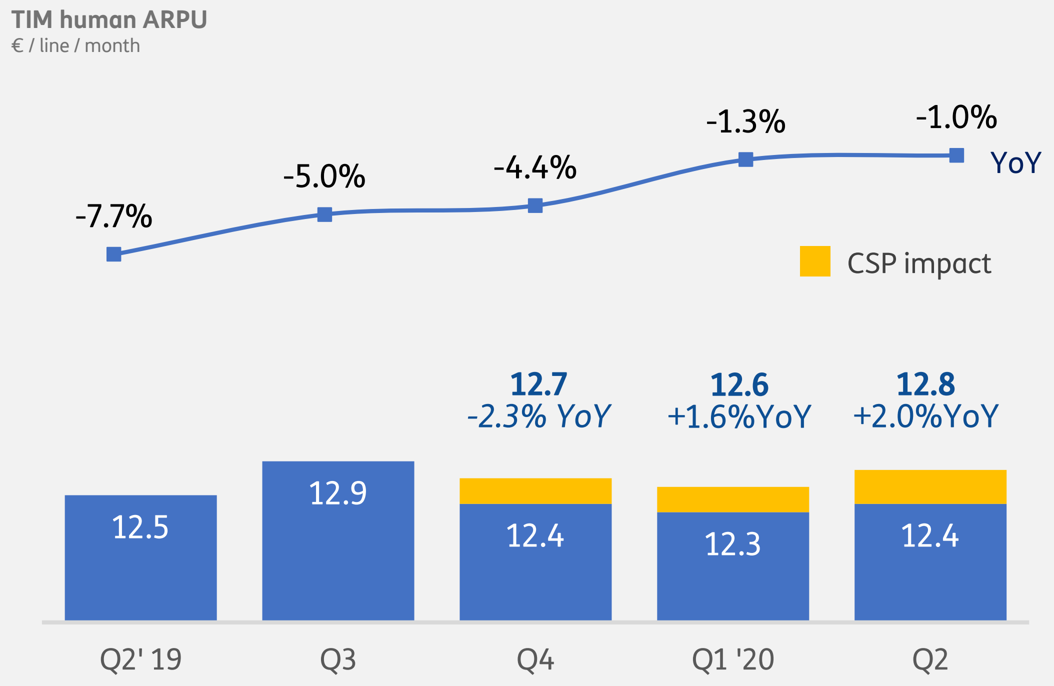
k lines



(1) Source: intra operator database
(2) CSI is an established methodology based on ACSI (American Customer Satisfaction Index) developed by University of Michigan's School of Business

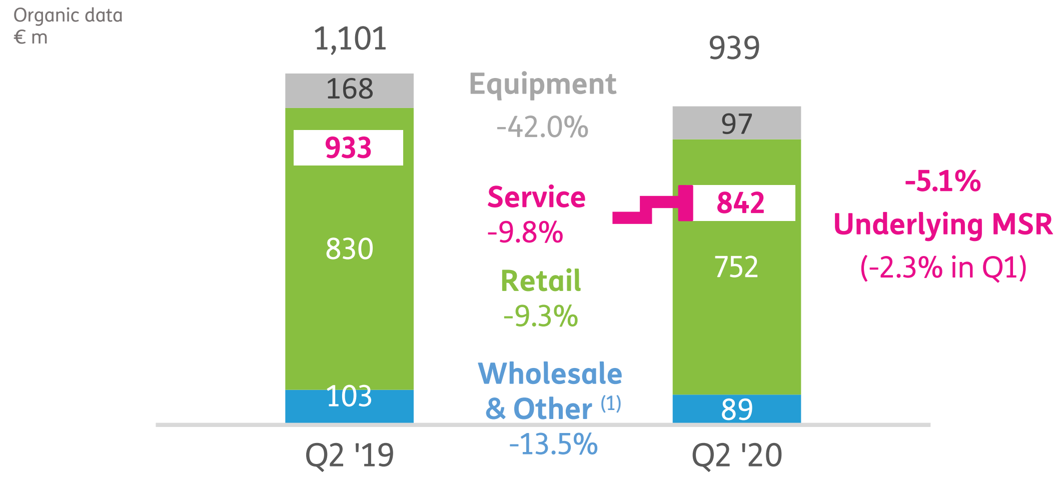
Mobile revenues: ARPU growth mitigates one off drags

Mobile ARPU on an improving path



ARPU almost flat YoY; +2.0% underlying (ex. 3pp CSP drag)

Mobile Revenues



MSR: underlying trend -5.1% YoY entirely volume-related

One off items: COVID-19 impact on roaming (ca. -2.2pp) and CSP (content service providers) cleanup (c. -2.5pp)

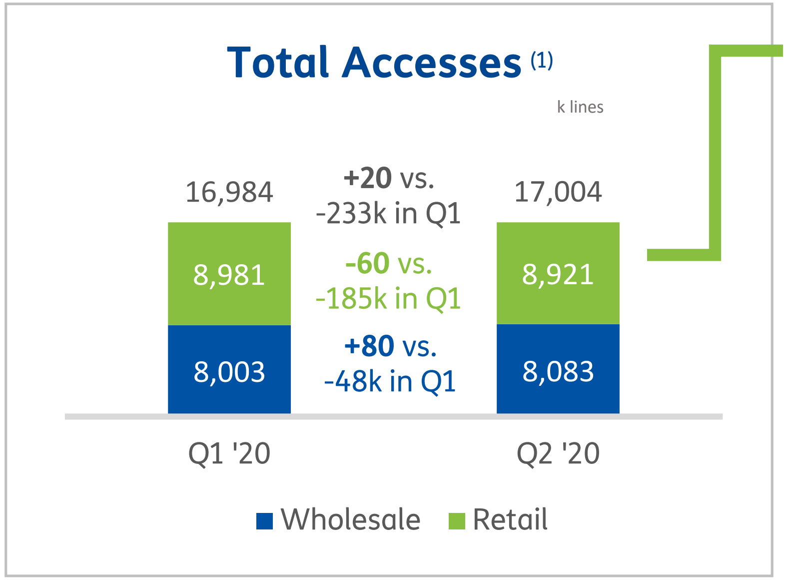
MTR price reduction explains another -1.3pp drag and the renewal of the mobile Consip contract at lower prices another -0.9pp, both in line with Q1

~6pp drags affecting Q2 and Q3 will disappear from 2021

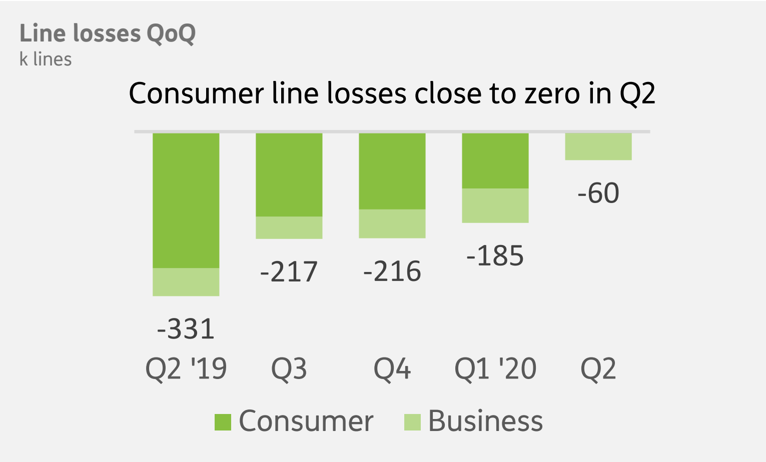
Lower **handsets sales** due to the lockdown

(1) Wholesale & Other explain -3.2pp decline YoY (vs. -0.7pp in Q1), affected by Visitors

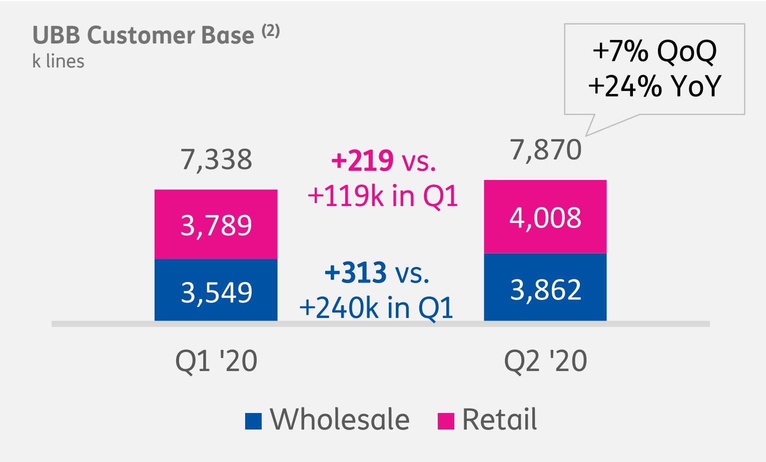
Fixed KPIs strong across the board. Line losses close to zero



Retail line losses significant reduction QoQ



UBB strong growth despite lockdown

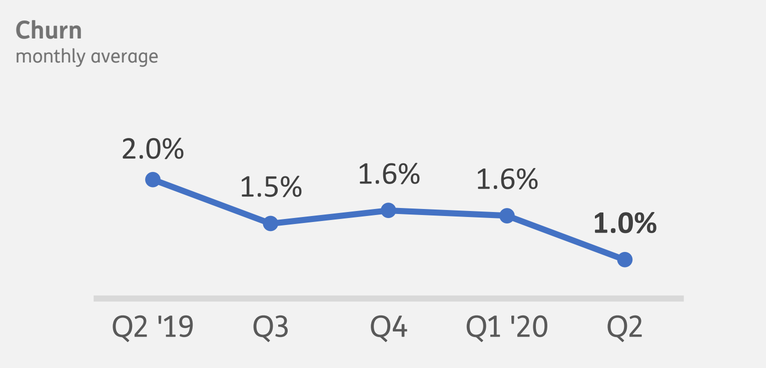


Early **benefits from "fix the fixed" initiatives. More expected in coming quarters**

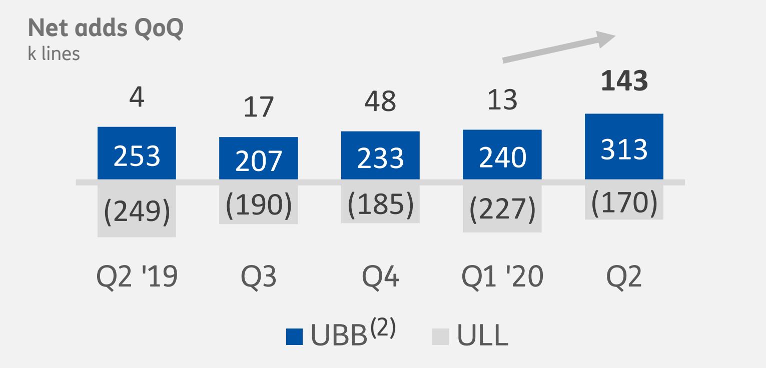
7k new FTTC cabinets opened in white areas contributed to increased migrations from copper to fiber (+70% QoQ) and to Wholesale performance

FTTC cabinets expected to grow >10% by YE (another 8-10k by YE)

Churn improving thanks to lower disconnections



Wholesale UBB net adds far above ULL losses



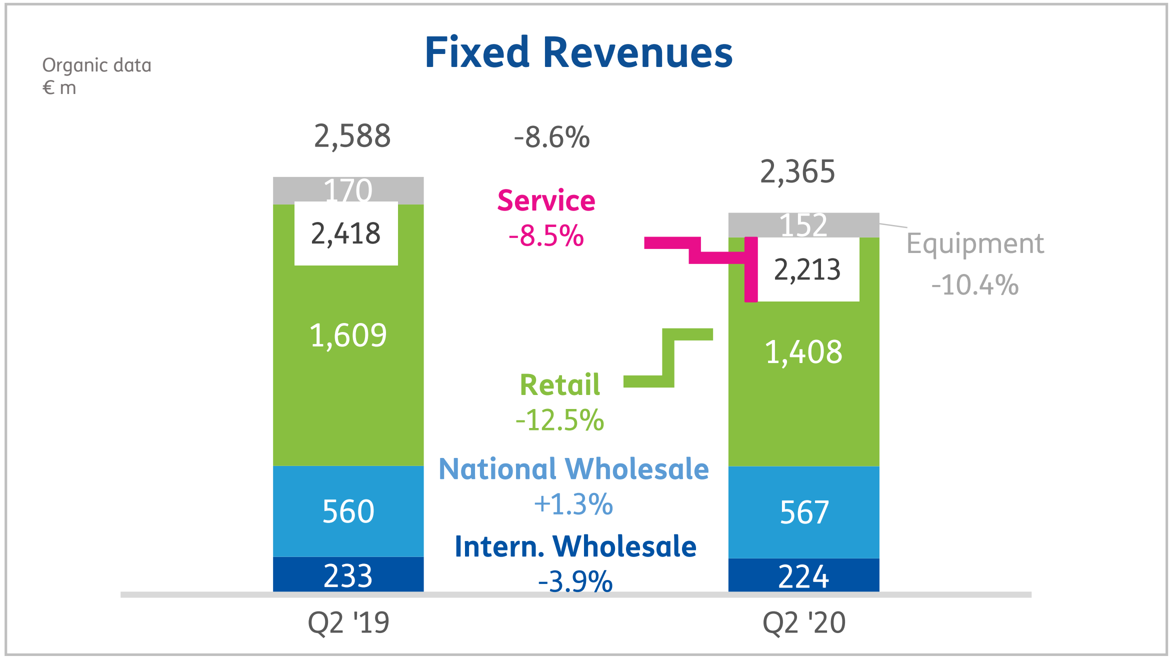
(1) On TIM infrastructure, retail VoIP excluded
(2) FTTx and Fixed Wireless Accesses (FWA)

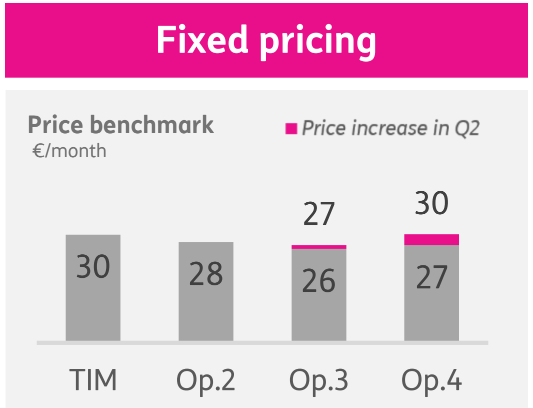
FSR on an improving path with H2 expected better than H1

Fixed Service Revenues improved QoQ (-8.5% vs. -10.1% in Q1) with better CSI. **Further improvement expected for H2**

- Better **Wholesale** performance (+1.3% YoY vs. +0.6% in Q1): lines growing thanks to VULA well above ULL
- Better **International Wholesale** as revenue repositioning is almost done (-3.9% YoY vs. –8.8% in Q1)
- **Retail** revenues growth rate in line with Q1. Trend expected to improve in coming quarters thanks to:
  - Customer base (CB) YoY fall explains c. 80% of Q2 FSR YoY fall. CB fall YoY expected to halve by YE
  - ARPU uplift from new services (more for more)
  - Free services (trial & COVID-19 related) start to be paid
  - Washing machine clean up annualization

Market discipline in Q2: competitors acquisition prices on an increasing path



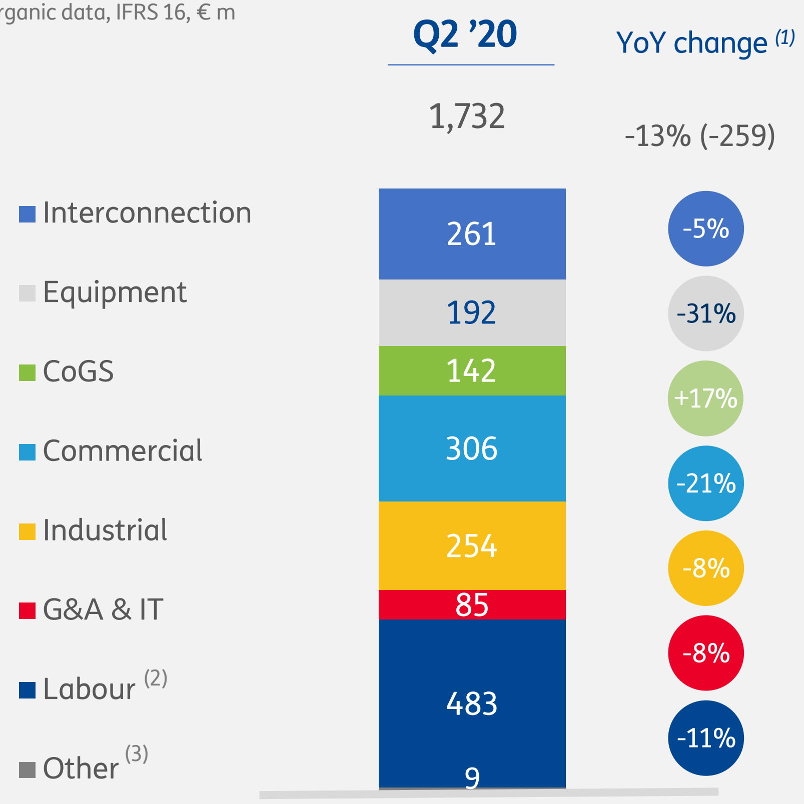


(1) CSI is an established methodology based on ACSI (American Customer Satisfaction Index) developed by University of Michigan's School of Business

Cost reduction accelerating: -13% YoY

Addressable costs down 13.6% vs. -5.6% in Q1

OPEX
Organic data, IFRS 16, € m



OPEX reduction accelerated in Q2: -13.0% vs. -10.2% in Q1

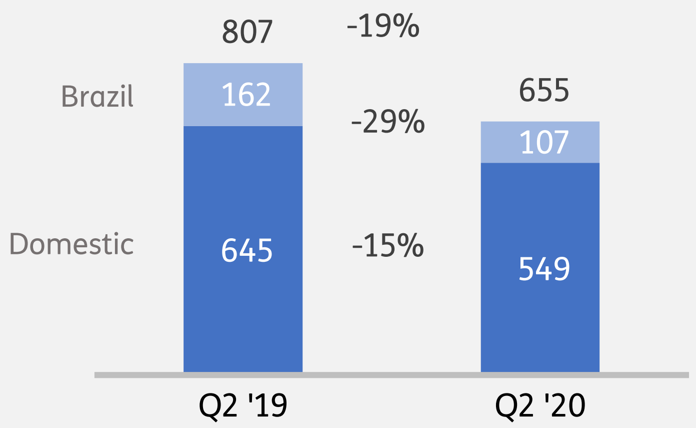
- **Interconnection** mirrors new strategy for Sparkle
- **Equipment** mirrors lower handset sales following lockdown
- **CoGS** increase related to IT revenue growth
- **Commercial** costs benefit from stopped CSP services, streamlined wholesale processes and efficiencies in customer care. Lower advertising costs due to shift of sponsorships on sport events (due to COVID-19)
- **Industrial** costs down thanks to decrease in energy (lower prices and consumption) and industrial spaces cost
- **G&A** down thanks to lower civil building costs
- **Labour** positively impacted by Full Time Equivalent reduction (-2k YoY)

(1) Net of deferred costs, on a cash view, the reduction reaches € 268m (-12.6% vs. -11.0% in Q1). Net of deferred costs, total OPEX amounts to € 1,852m in Q2 '20 and € 2,121m in Q2 '19. On a cash view, YoY changes differ in CoGS (+17%), Industrial (-5%), G&A & IT (-11%) and Labour (-12%)
(2) Net of capitalized costs
(3) Includes other costs/provision and other income

Strong efficiencies in CAPEX; NWC outflow reduced €492m YoY

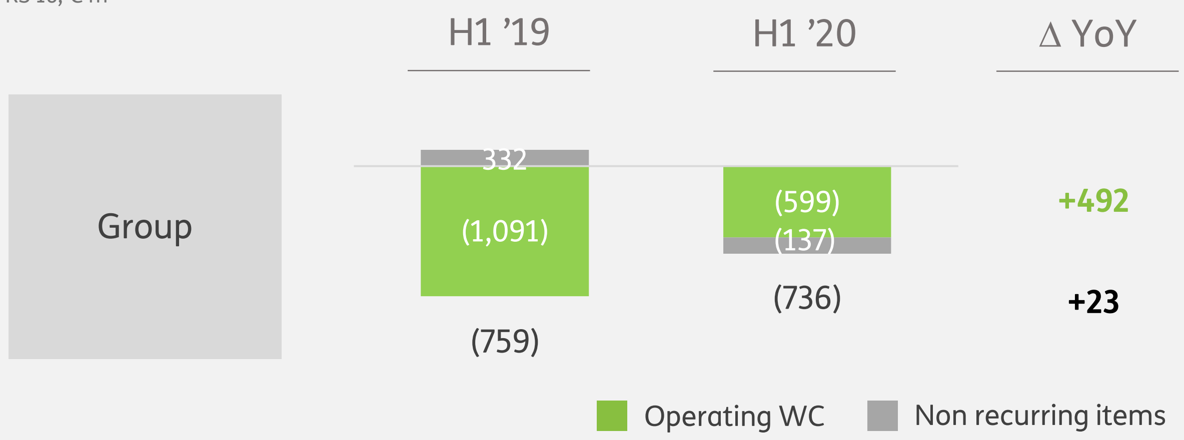
CAPEX

Organic data, € m



Group Operating WC improving **€ 492m** YoY

Net Working Capital
IFRS 16, € m



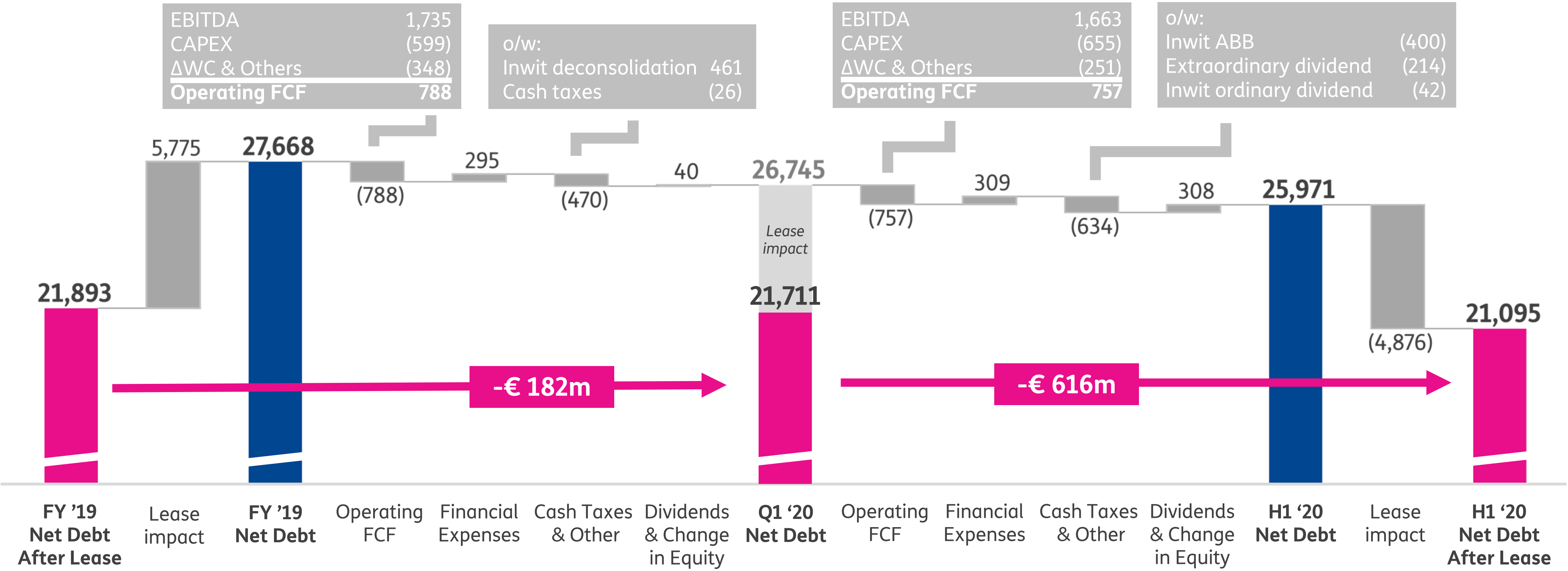
CAPEX down 19% YoY for COVID-19 related delays and for efficiency gains both in Italy and Brazil

Group Operating Working Capital +€ 492m YoY despite € 393m of one-offs and non-comparable items[(1)] offset by a positive exchange rate impact in Brazil (€ 211m) and by postponement of 2020 Fistel payment to August, as allowed post COVID-19 (€ 161m)

(1) SKY payment, litigations and settlements, increased payments to personnel for exits ex. art. 4 Fornero Law and for bonuses and incentives (payments delayed to H2 in 2019)

Deleverage: €1,697m debt cut in 6 months (€798m After Lease)

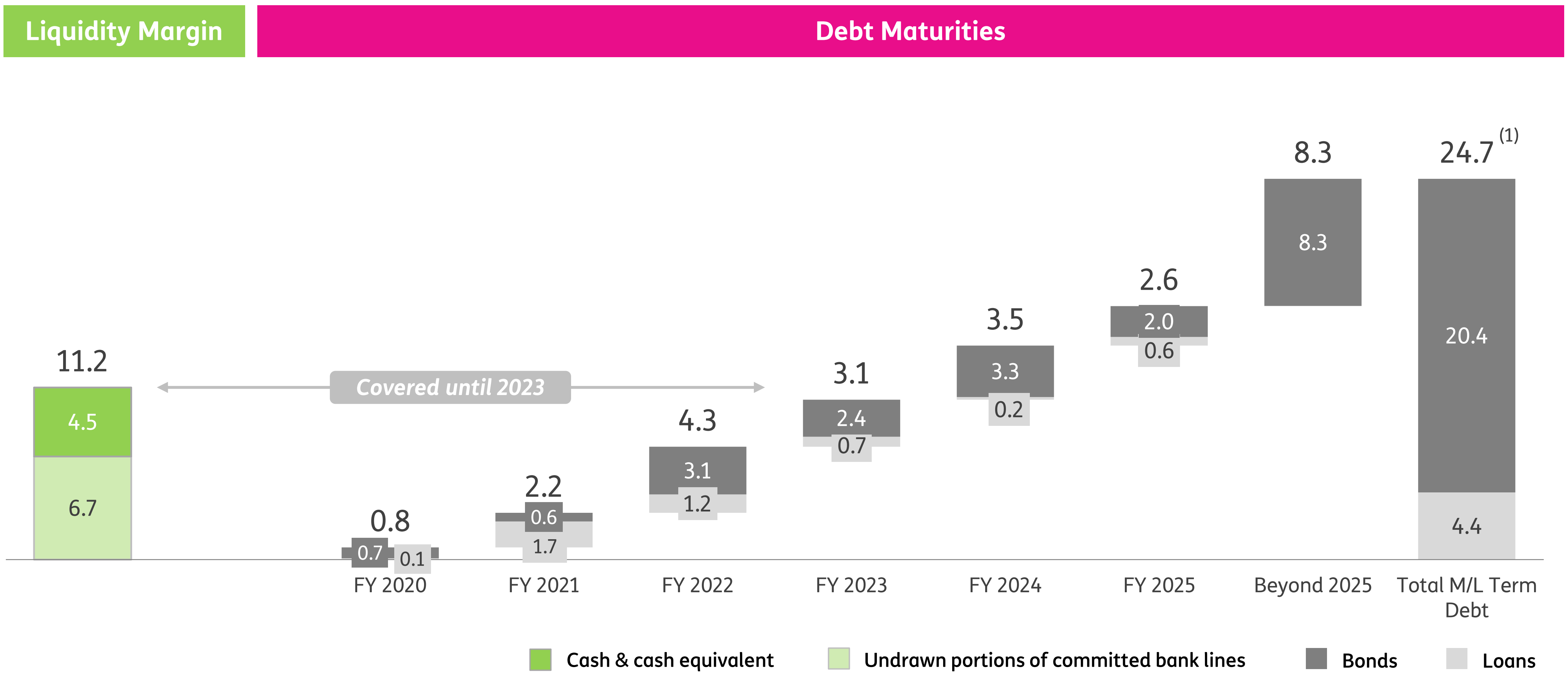
€ m; (-) = Cash generated, (+) = Cash absorbed, excluding call-outs



			FY '18					+3,058					H1 '19		
2019			25,270	(690)	346	3,632 o/w 3,553 FTA IFRS 16	25	25,583	(1,129)	361	297	216	28,328	(5,510)	22,818
Δ vs. 2019				(98)	(51)	(4,102)	15	(1,838)	372* *302 ex. Inwit	(52)	(931)	92	(2,357)	634 o/w 1,117 Inwit	(1,723)

Liquidity margin - After Lease view

Cost of debt ~3.4%, flat QoQ, -0.3p.p. YoY

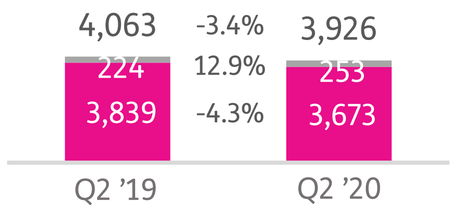


(1) € 24,732m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 547m) and current financial liabilities (€ 1,365m), the gross debt figure of € 26,644m is reached

TIM Brasil: improving EBITDA thanks to strong cost efficiencies

Reported data, R$m

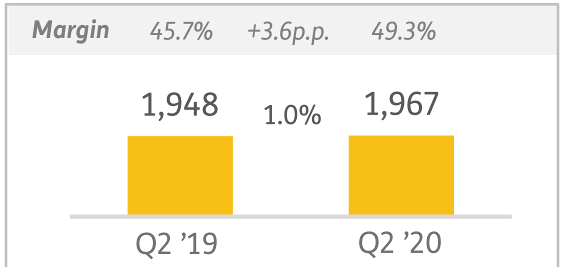
Service Revenues down 3.4% YoY mainly due to COVID-19 impact causing lower gross adds and top-ups



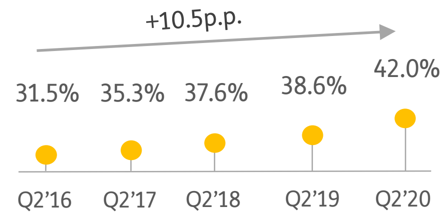
MSR affected by the pandemic: Prepaid down 13.0% and Postpaid down 1.6%

FSR +12.9% YoY driven by TIM Live

EBITDA(1) up 1.0% YoY despite topline pressure thanks to strong execution on cost efficiencies (OPEX –12.8% YoY)



EBITDA margin (Pro-forma) (3)



Mobile

ARPU +0.9% YoY to 23.4 R$/month

Prepaid ARPU -1.4% YoY
Postpaid ARPU +1.2.% YoY(2)

TIM Live

Revenues +29% YoY

>600k clients milestone

ARPU +7.6% YoY to 83.9 R$

Digital Journey Project

100+ initiatives accelerated to prioritize digital experience

TIM APP IMPROVEMENT | DIGITAL SELF SERVICE | CUSTOMER SERVICE SCHEDULING | 1-CLICK BUY RECHARGE | WEBSITE REDESIGN | NAKED SIM

Solid network development

FTTH coverage **+77% YoY**
2.8m HHs in 27 cities
New clusters : Brasília and Belo Horizonte

New initiatives launched
to increase capacity and coverage

Leadership in 4G coverage
88.2% availability

Beyond the core

TIM + C6BANK

~200k new accounts
3 weeks from launch

8x daily average

(1) Normalized
(2) Excluding M2M
(3) Pro-forma excludes the effects of the adoption of IFRS 9, 15 and 16

Deleverage guidance improved for INWIT transaction, EqFCF unchanged

Estimated COVID-19 impact now reflected

YoY growth rates, IFRS 16 / After Lease	Group		Domestic		Brasil	
	2020	2021-'22	2020	2021-'22	2020	2021-'22
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					
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 2020-2022					

- Figures @ Avg Exchange Rate Actual 5,71 REAIS/EUR

Closing remarks

Executing Operations TIMe plan and extraordinary initiatives at full speed despite COVID-19. Debt cut €3.8bn in 20 months

FiberCop to open the way for new opportunities for TIM, its shareholders and the Country

Letter received from the Italian **Government** on commitment to **work on the creation of the Single Network for Italy**

The **improvement of KPIs and CSI** in both fixed and mobile are early signs of effectiveness of the turnaround started in 2019

2020-22 cumulated Equity FCF confirmed

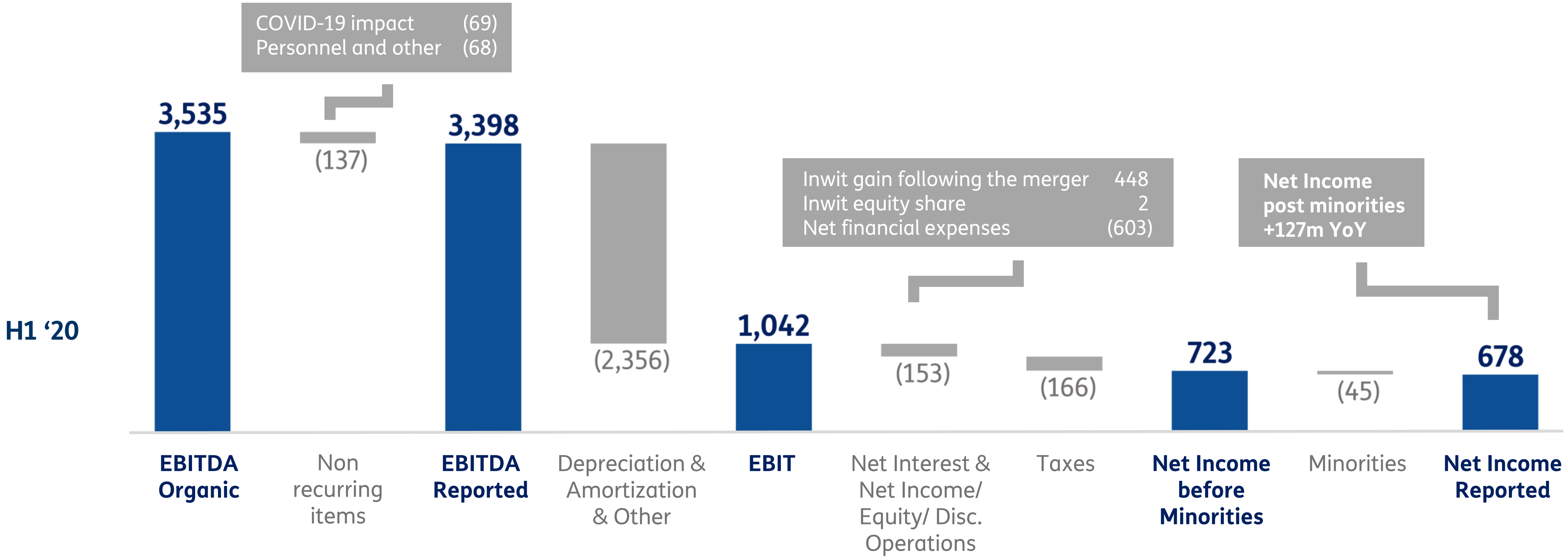
2021 debt guidance improved €2bn, to <€18bn thanks to INWIT transaction

Q&A

Annex

H1 Net Income +23% YoY

Reported data, € m, Rounded numbers

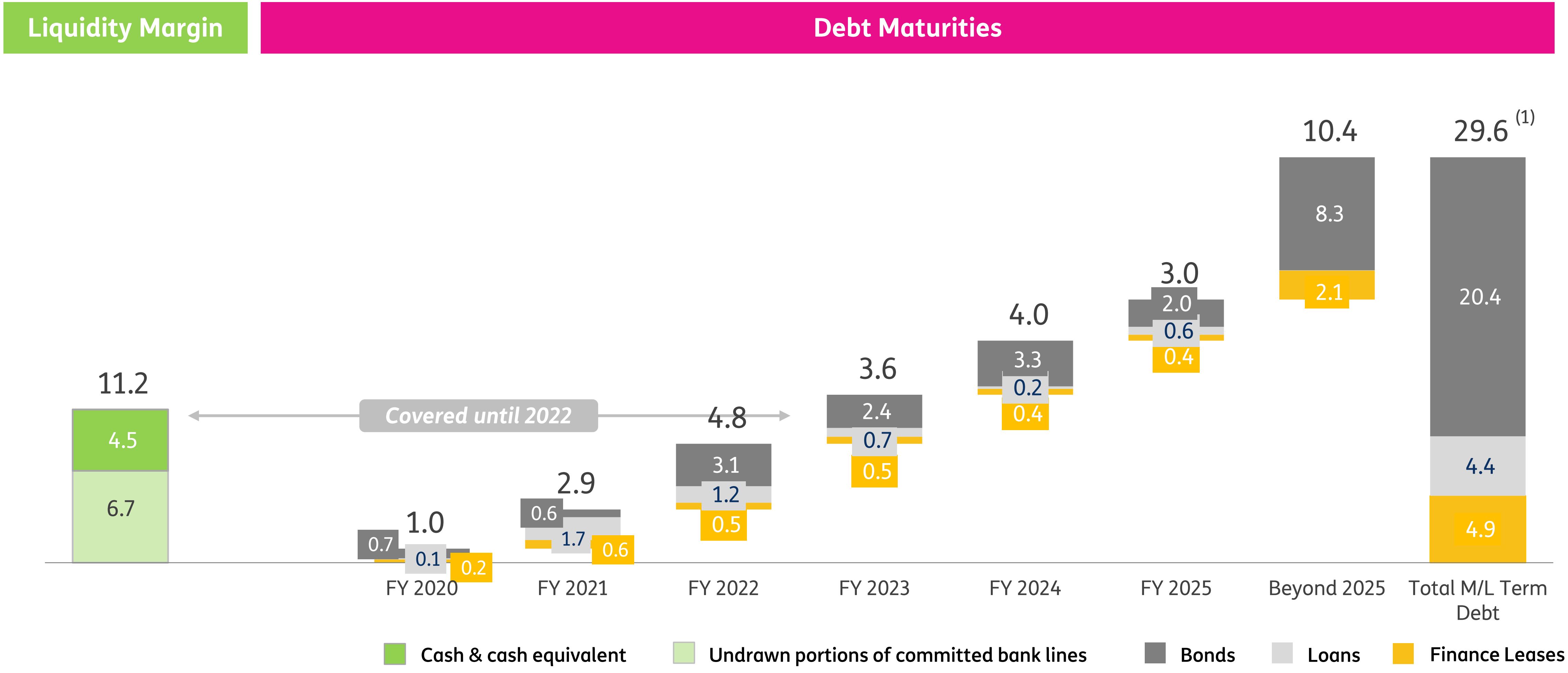


	EBITDA Organic	Non recurring items	EBITDA Reported	Depreciation & Amortization & Other	EBIT	Net Interest & Net Income/ Equity/ Disc. Operations	Taxes	Net Income before Minorities	Minorities	Net Income Reported
H1 '19	**3,779**	592	**4,391**	(2,504)	**1,887**	(755)	(392)	**740**	(189)	**551**
Δ vs. H1 '19	(264)	(729)	(993)	148	(845)	602	226	(17)	144	127

Liquidity margin - IFRS 16 view

Cost of debt ~3.8%*, -0.1p.p. QoQ, -0.5p.p. YoY

* *Including cost of all leases*



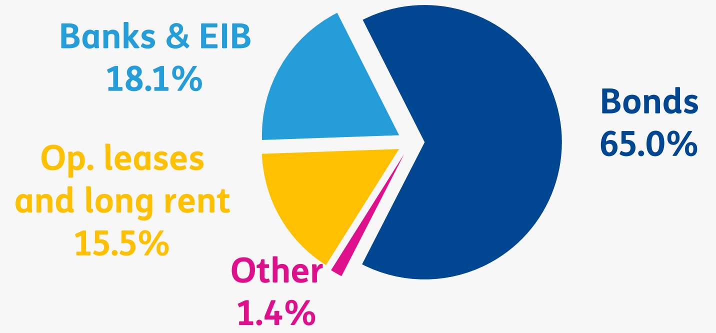
(1) € 29,600m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 579m) and current financial liabilities (€ 1,365m), the gross debt figure of € 31,544m is reached

Well diversified and hedged debt

	NFP adjusted	Fair value	NFP accounting
GROSS DEBT			
Bonds	20,505	311	20,816
Banks & EIB	5,699		5,699
Op. leases and long rent	4,900		4,900
Other	440	1,714	2,154
TOTAL	**31,544**	**2,025**	**33,569**
FINANCIAL ASSETS			
Liquidity position	4,479		4,479
Other (1)	1,094	2,042	3,136
TOTAL	**5,573**	**2,042**	**7,615**
NET FINANCIAL DEBT	**25,971**	**(17)**	**25,954**

* *Refers to positive MTM derivatives (accrued interests and exchange rate) for € 944m, financial receivables for lease for € 84m and other credits for € 67m*

Gross Debt



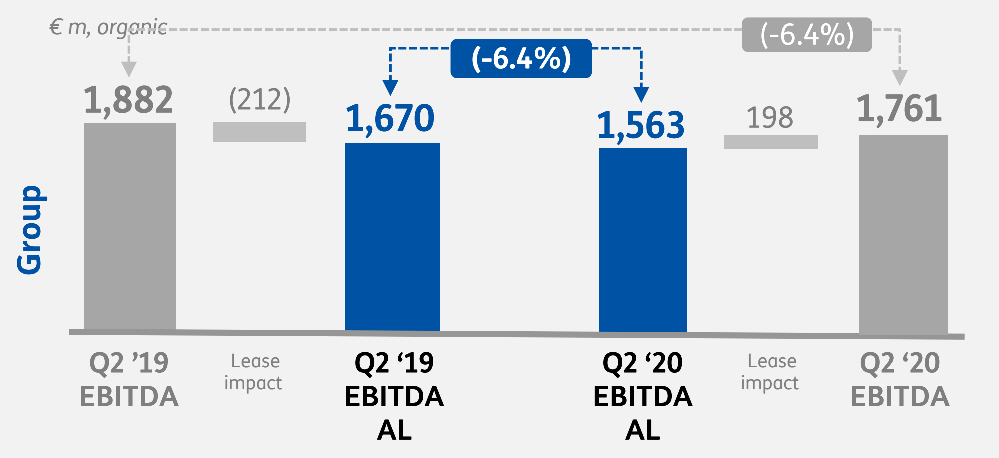
Average m/l term maturity:
7.8 years (bond 7.1 years only)

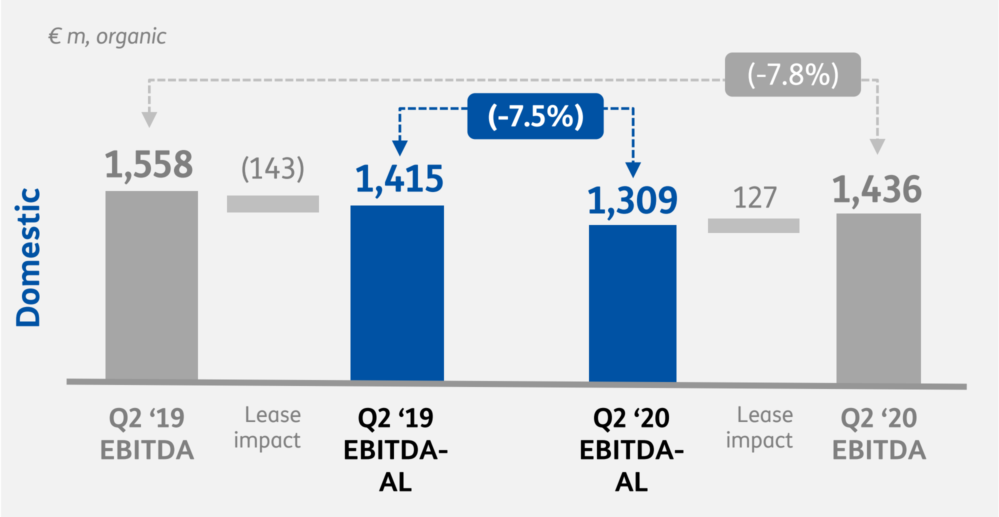
Fixed rate portion on medium-long term debt ~**70%**

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

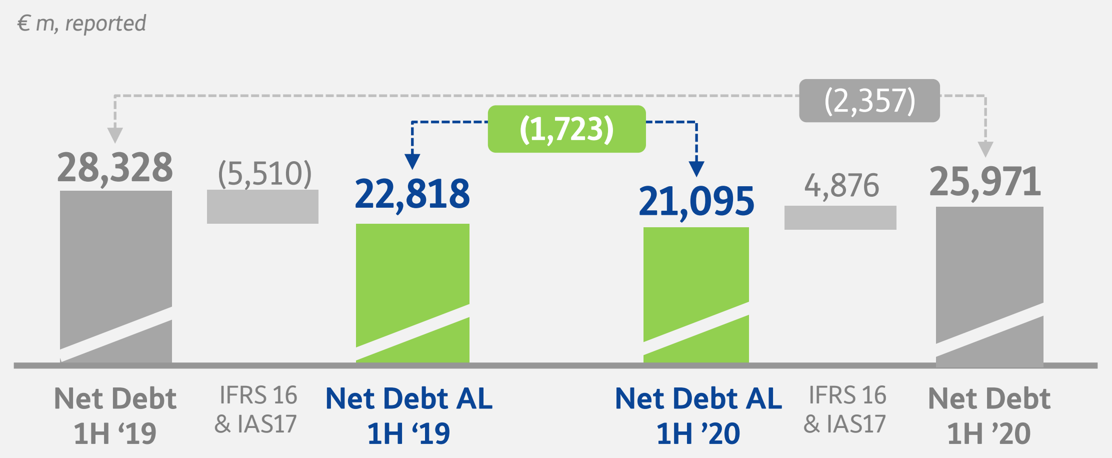
After Lease view

EBITDA After Lease

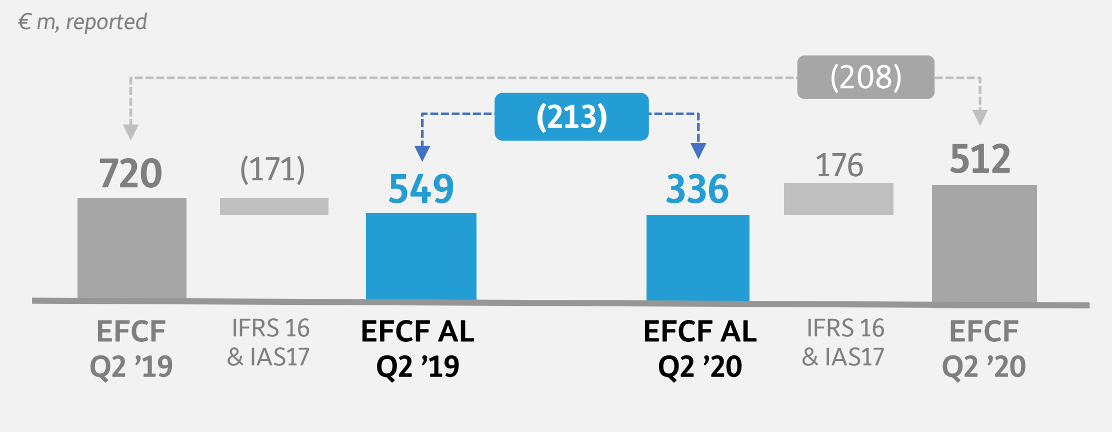




Net Debt After Lease



Equity Free Cash Flow After Lease



For further questions please contact the IR team

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