

TIM S.p.A.
Form 6-K
November 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF NOVEMBER 2018

TIM S.p.A.

(Translation of registrant's name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F

FORM 40-F

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

YES

NO

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____

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From 1 January 2018 the TIM Group has been applying IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). To permit comparison of the economic and financial results of the first nine months and the third quarter of 2018 with the corresponding period of the previous year, this press release presents the comparable profit and loss and balance sheet figures, formulated according to the previous accounting principles (IAS 39, IAS 18, IAS 11 and their Interpretations).

TIM S BOARD OF DIRECTORS APPROVES THE INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2018

SOLID OPERATING RESULTS STRENGTHEN TIM S LEADERSHIP IN A HIGHLY COMPETITIVE AND REGULATED MARKET

Group Revenues: 14.2 billion euros, +1,1% YoY (on an organic basis)

Group EBITDA: 6.2 billion euros, stable YoY (on an organic basis and excluding non-recurring charges and one-offs)

EBITDA CAPEX: 3.6 billion euros (+15.7% YoY)

Goodwill write-down of 2 billion euros

Group Net Income: 1.2 billion euros (+19.1% YoY); due to the effect of the aforementioned impairment the figure is negative by approx. 800 million euros

Group adjusted net financial debt: 25,190 million euros (-118 million euros compared with 31 December 2017 and -1.0 billion euros compared with 30 September 2017)

Rome, 8 November 2018

TIM s Board of Directors, chaired by Fulvio Conti, met today and approved the interim report as of 30 September 2018.

In particular, nine-months Group **service revenues** increased by 1.2% on an organic basis (at 13.2 billion euros) with respect to the previous year, due to the stability of the Domestic Business Unit (+0.2%) and strong growth in Brazil (+5.1%).

In Italy, the **fixed** segment benefited from the launch of new premium offers and the strong increase in fibre accesses, which almost doubled versus the previous year (+2.3 million lines), supporting retail and wholesale revenues (+1% and +2% respectively in the last quarter) and enabling to partially compensate the effects of the return to 30-day billing..

In the **mobile** segment TIM was confirmed as the operator with the greatest customer base resilience with respect to the entry of the new operator (-1.7% compared to Q2); the portability figures (MNP) also showed solid performance, reaching just -39 thousand lines since the start of the year.

These results were achieved with the support of its premium positioning, its renewed commercial offers including those of the second brand Kena and its fidelity programmes, that enabled TIM also to bring the share of n-play customers, namely those who use the entire TIM offer: voice, data, fixed, mobile and entertainment to 40%.

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Organic EBITDA in the nine months totalled 6.2 billion euros and was stable with respect to the same period of 2017 (net of the non-recurring component and other one-offs). This result benefited from the positive effect of growth in Brazil (+12.5%) and was affected by a contained downturn in the Domestic component (-2.3%).

Net Income totalled 1.2 billion euros before the write-down on goodwill of the Domestic Business Unit, which brings the figure to a negative -0.8 billion euros. The decision to write-down the goodwill follows an impairment test and does not affect TIM's cash flows and was due to the deterioration of the competitive and regulatory context and to the increased interest rates. The write-down does not change the strategic priorities defined in the three-year Plan and does not consider the reviews that will be brought to the Board's approval aiming at improving operational and financial performance of the Company.

The implementation of the DigiTIM Strategic Plan continued, the positive effects of which were recorded in particular in the efficient management of Group CAPEX, amounting to 2.6 billion in the period. The investments of the **Domestic Business Unit** totalled 2 billion euros (-572 million euros with respect to the same period of 2017), net of the investment of 630 million euros for renewal of the 2G frequencies sustained in the third quarter of 2017, and bring the CAPEX/Sales ratio to 17.5%, in line with the long-term objectives of the Plan that have the ratio below 20%.

The Group's organic EBITDA CAPEX indicator was particularly positive, amounting to 3.6 billion euros in the first nine months of 2018, with a double-digit increase with respect to the same period of 2017 (+15.7%).

The cash flow trend was also positive, with an Operating Free Cash-Flow of 1.5 billion euros, up by 459 million euros with respect to the first nine months of 2017.

The Net Financial Position came to 25.2 billion euros, with a reduction with respect to the end of 2017 of 118 million euros and over one billion euros with respect to 30 September 2017.

Despite a complex and challenging macro-economic and market context, the first nine months of the financial year showed a solid operational management trend. Particular attention was paid to the evolution of 5G technology, which will represent a key value creation lever; on 2 October 2018 TIM was in fact awarded lots of great strategic value on all available frequencies in the 700 MHz and 3.7 and 26 GHz bands, consolidating its leadership in the sector.

The results of the first nine months of 2018 will be illustrated to the financial community during a conference call scheduled for 9 November at 2 p.m. (Italian time). Journalists may listen to the presentation by calling: +39 06 33485042 or +39 06 33486868. There will be no opportunity to ask questions.

The presentation slides will be available at <https://www.telecomitalia.com/3Q2018/eng>.

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TIM draws up and publishes Interim Reports on Operations for the first and third quarters of each year on a voluntary basis.

The consolidated figures in the TIM Group's Interim Report on Operations to 30 September 2018 have been formulated in accordance with the IFRS accounting standards issued by the IASB and incorporated by the EU; these figures are not subject to audit.

The accounting policies and consolidation principles adopted are consistent with those adopted in the Annual Consolidated Financial Statements of the TIM Group as at 31 December 2017, to which reference should be made, apart from the new accounting policies adopted from 1 January 2018, the effects of which are illustrated in the chapter entitled "TIM Group - Adoption of the new IFRS 9 and IFRS 15 standards", annexed to this report, to which reference should be made for further details.

To permit comparison of the economic and financial results of the first nine months and the third quarter of 2018 with the corresponding period of the previous year, this press release presents the comparable profit and loss and balance sheet figures, formulated according to the previous accounting principles (IAS 39, IAS 18, IAS 11 and their Interpretations).

In addition to the conventional IFRS financial performance indicators, TIM Group uses certain alternative performance indicators in order to give a clearer picture of the general performance and financial position of the company. Specifically, the alternative performance indicators are: EBITDA; EBIT; organic change in revenues, in EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt carrying amount and adjusted net financial debt. The meaning and content of these indicators are explained in the annexes.

Note that the chapter "Business Outlook for the 2018 fiscal year", contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of the Group's operations and strategies. Readers of this press release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the above-mentioned forecasts owing to a number of factors, the majority of which are beyond the Group's control.

MAIN CHANGES TO THE TIM GROUP CONSOLIDATION SCOPE

There were no significant changes to the consolidation scope in the first nine months of 2018 or in the same period of 2017.

TIM GROUP RESULTS FOR THE FIRST NINE MONTHS OF 2018

The **revenues** of the first nine months of 2018 totalled **14,077 million euros**.

The comparable revenues for the first nine months of 2018, using the same accounting standards as 2017, totalled 14,217 million euros, 3.1% lower than the figure for the first nine months of 2017 (14,679 million euros): the substantially stable trend in the revenues of the Domestic Business Unit was offset by the reduction in revenues of the Brazil Business Unit (-460 million euros), which was entirely attributable to the devaluation of the Brazilian real, over 20% less than the revenues for the first nine months of 2017. Without the negative exchange effect, the revenues of the Brazil BU were positive, at 139 million euros (+5.0%) and the organic change in Group consolidated revenues

increased by 1.1% (+153 million euros).

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The analysis of the revenues of the first nine months of 2018, broken down by operating sector, and compared to the first nine months of 2017, using the same accounting standards, is as follows:

(million euros)	1.1 - 30.9 2018		1.1 - 30.9 2017		Changes		
	comparable	% of total	% of total	absolute	%	% organic	
Domestic	11,311	79.6	11,312	77.1	(1)		0.1
<i>Core Domestic</i>	<i>10,583</i>	<i>74.4</i>	<i>10,500</i>	<i>71.5</i>	83	0.8	0.8
<i>International Wholesale</i>	<i>919</i>	<i>6.5</i>	<i>995</i>	<i>6.8</i>	<i>(76)</i>	<i>(7.6)</i>	<i>(6.1)</i>
Brazil	2,929	20.6	3,389	23.1	(460)	(13.6)	5.0
Other Activities							
Adjustments and eliminations	(23)	(0.2)	(22)	(0.2)	(1)		
Consolidated Total	14,217	100.0	14,679	100.0	(462)	(3.1)	1.1

EBITDA for the first nine months of 2018 totalled **5,778 million euros**.

The comparable EBITDA for the first nine months of 2018 totalled 6,030 million euros (6,213 million euros in the first nine months of 2017), 183 million euros (-2.9%) lower, with a margin of 42.4% (42.3% in the first nine months of 2017; +0.1 percentage points).

Organic EBITDA increased by 27 million euros (+0.4%) compared with the first nine months of 2017, with a margin down 0.3 percentage points, from 42.7% in the first nine months of 2017 to 42.4% in the first nine months of 2018.

Organic EBITDA net of the non-recurring component and other one-offs totalled 6,158 million euros and was in line with the figure for the first nine months of 2017.

The TIM Group posted non-recurring operating charges totalling 128 million euros (155 million euros in the first nine months of 2017, at the same exchange rates, and including some one-offs).

Specifically, the non-recurring items in the first nine months of 2018 included primarily provisions made for the 74.3 million euro fine imposed for the alleged breach of article 2 of L.D. no. 21 of 15/3/2012 (the Golden Power law), in a notice issued on 8 May 2018. The Company lodged an appeal with the Lazio Regional Administrative Court (TAR) requesting the precautionary suspension of the fine. With a ruling in July 2018, the TAR granted this application and suspended payment of the penalty, setting a date for the appeal to be heard.

Non-recurring charges for the first nine months of 2018 also include approximately 54 million euros in charges relating to the company reorganisation and restructuring processes, charges consequent on other disputes, fines of a regulatory nature and liabilities related to these charges, charges for disputes with former employees and amounts

owed to suppliers.

Solely for comparative purposes, and to provide a better understanding of the business trend in the current period, organic growth in EBITDA and EBIT is also reported, excluding organic items in the current period or in the period this is compared to that by their nature are non-linear or non-repetitive (one-offs) as well as non-recurring items, from the calculation. These items relate solely to the Domestic market and the data should not be considered a replacement for the economic-financial information that it reclassifies and is produced for explanatory purposes only.

In particular, EBITDA for the first nine months of 2017 included 67 million euros relating to the differential impacts following from the revision of the estimates of the presumed settlement value of some contractual liabilities towards customers and suppliers, as reported in the 2017 Financial Statements.

The details of the comparable EBITDA and EBITDA margin for the first nine months of 2018, broken down by operational sector, compared to the first nine months of 2017 and applying the same accounting standards, are as follows:

(million euros)	1.1 -30.9 2018		1.1 -30.9 2017			Changes	
	comparable	% of total	% of total absolute		%	% organic	
Domestic	4,958	82.2	5,055	81.4	(97)	(1.9)	(1.8)
<i>Margin (%)</i>	43.8		44.7			<i>(0.9) pp</i>	<i>(0.9) pp</i>
Brazil	1,084	18.0	1,170	18.8	(86)	(7.4)	12.5
<i>Margin (%)</i>	37.0		34.5			<i>2.5 pp</i>	<i>2.5 pp</i>
Other Activities	(12)	(0.2)	(12)	(0.2)			
<i>Adjustments and eliminations</i>							
Consolidated Total	6,030	100.0	6,213	100.0	(183)	(2.9)	0.4
<i>Margin (%)</i>	42.4		42.3			<i>0.1 pp</i>	<i>(0.3) pp</i>

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EBIT for the first nine months of 2018 totalled **617 million euros**.

The comparable EBIT in the first nine months of 2018 totalled 762 million euros (2,834 million euros in the first nine months of 2017), 2,072 million euros (-73,1%) less than in the first nine months of 2017, with a margin of 5.4% (19.3% in the first nine months of 2017).

Organic EBIT fell by 2,011 million euros (-72.5%), with a margin of 5.4% (19.7% in the first nine months of 2017).

EBIT in the first nine months of 2018 is negatively impacted by the 2 billion euros write-down on the goodwill of the Core Domestic business as well as by non-recurring charges (128 million euros, 185 million euros in the first nine months of 2017 at the same exchange rate and taking account of one-offs included in EBITDA). Without these charges the organic change in EBIT would have been a fall of 68 million euros (-2.3%), with a margin of 20.3% (21.0% in the first nine months of 2017).

The **Consolidated Net Result** for the first nine months of 2018 attributable to Parent Company Shareholders stands at -868 million euros, impacted by the afore-mentioned goodwill write-down. In comparable terms excluding the impact of non-recurring items the consolidated net result is above 1.2 billion euros, in line with the figure from 2017.

The TIM Group **headcount** at 30 September 2018 was **59,124**, including 49,349 in Italy (59,429 at 31 December 2017, including 49,689 in Italy).

Capital expenditure, totalling **2,460 million euros**, may be broken down by operating sector as follows:

(million euros)	1.1 - 30.9 2018		1.1 - 30.9 2018 comparable		1.1 - 30.9 2017		Changes
		% of total	(a)	% of total	(b)	% of total	
Domestic	1,887	76.7	1,975	76.8	3,177	81.9	(1,202)
Brazil	573	23.3	598	23.2	704	18.1	(106)
<i>Adjustments and eliminations</i>							
Consolidated Total	2,460	100.0	2,573	100.0	3,881	100.0	(1,308)
<i>Margin (%)</i>	<i>17.5</i>		<i>18.1</i>		<i>26.4</i>		<i>(8.3) pp</i>

Applying the same accounting standards, in the first nine months of 2018, capital expenditure totalled 2,573 million euros (3,881 million euros in the first nine months of 2017).

Specifically:

the Domestic Business Unit posted investment totalling 1,975 million euros, 572 million euros less than in the first nine months of the previous year (net of the impact of the renewal of the GSM licence, for 630 million euros, in September 2017), primarily for fixed and mobile networks, given the levels of coverage already achieved;

the Brazil Business Unit posted investments totalling 598 million euros in the first nine months of 2018, 106 million euros less than in the same period in 2017. Excluding the impact of the changes in exchange rates (-125 million euros), investments grew by 19 million euros, and were directed primarily at strengthening the mobile Ultra BroadBand network infrastructure and developing TIM Live's fixed BroadBand business.

Cash flow from the Group's operations was positive for **1,457 million euros** (positive for 998 million euros in the first nine months of 2017). The cash generated was absorbed primarily by the net requirement deriving primarily from payment of 239 million euros in dividends, income tax payments totalling 325 million euros and financial operations (around 1,000 million euros in the first nine months of 2018 and around 1,200 million euros in the first nine months of 2017).

Adjusted net financial debt was **25,190 million euros** as of 30 September 2018, 118 million euros lower than on 31 December 2017 (25,308 million euros).

In the third quarter of 2018, adjusted net financial debt increased by 49 million euros compared to 30 June 2018 (25,141 million euros): payment of income tax substantially absorbed the cash generated by operational-financial operations.

The net financial debt carrying amount at 30 September 2018 totalled 26,127 million euros (26,091 million euros at 31 December 2017).

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The **liquidity margin** was **8.603 million euros**, and was calculated taking account of:

Cash and Cash Equivalents and Securities other than investments for a total of 3,603 million euros (4,568 million euros at 31 December 2017);

the total of the new Revolving Credit Facility signed in January 2018, totalling 5,000 million euros. This margin means that the financial liabilities of the Group falling due can be covered for the next 24-36 months.

TIM GROUP RESULTS FOR THE THIRD QUARTER OF 2018

The **consolidated revenues** of the third quarter of 2018 totalled **4,666 million euros**.

The comparable revenues of the third quarter of 2018 totalled 4,705 million euros, 202 million euros less than in the third quarter of 2017 (-4.1%); in organic terms the percentage change, excluding the exchange effect relating to the Brazil Business Unit, was +0.2%.

EBITDA for the third quarter of 2018 totalled **2,045 million euros**.

The comparable EBITDA for the third quarter 2018 totalled 2,112 million euros, 13 million euros more (+0.6%) than the same period in the previous year (2,099 million euros). The EBITDA margin was 44.9% (42.8% in the third quarter of 2017).

Consolidated **EBIT** for the third quarter of 2018 stood at **-997 million euros**.

The comparable EBIT totalled -966 million euros (963 million euros in the third quarter of 2017).

BUSINESS UNIT RESULTS

DOMESTIC

The **revenues** of the first nine months of 2018 totalled **11,182 million euros**.

Applying the same accounting principles, the comparable revenues of the first nine months of 2018 totalled 11,311 million euros, in line with the first nine months of 2017. In the third quarter, revenues decreased by 25 million euros (-0.7% compared to the same period of the previous year).

Service revenues totalled **10,397 million euros**, slightly higher than in the first nine months of 2017 (+0.2% at the same exchange rate), benefiting from the constant development of both the Mobile and Fixed Broadband customer bases, and the sustained Human Mobile ARPU and Fixed ARPU levels consequent on the increase in penetration of Ultra broadband connectivity services (fixed and mobile) and digital and ICT services.

In detail:

Fixed market service revenues totalled **7,394 million euros**, close to the figure for the first nine months of 2017 (-0.2%), despite a more intense competitive context. The increase in retail ARPU, revenues from ICT solutions (+70 million euros, +14.6%) and innovative services for data connectivity (+214 million euros, +13.6%) contributed to this stabilisation, led by the growth in Ultra Broadband customer numbers (+1.2 million compared to the first nine months of 2017), which reached 3.0 million (4.9 million including wholesale lines). This dynamic offset the natural fall in revenues from traditional voice services (-237 million euros) consequent on the fall in traditional accesses and the reduction in regulated prices for some wholesale services (-49 million euros);

Mobile market service revenues, at **3,434 million euros**, were in line with the first nine months of 2017, despite a challenging regulatory and competitive context (the entry of the fourth mobile operator). Revenues from product sales, including changes to work in progress, totalled 914 million euros in the first nine months of 2018 (-5 million euros on the same period of the previous year).

Core Domestic Revenues

Core Domestic revenues totalled to **10,583 million euros** and rose by 0.8% (10,500 million euros in the first nine months of 2017).

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The performance of the individual market segments compared with the first nine months of 2017 was as follows:

Consumer segment revenues in the first nine months of 2018 totalled 5,677 million euros and were substantially stable compared to the first nine months of the previous year (-36 million euros; -0.6%), although there were signs that the growth observed during 2017 had slowed, due to the changed competitive and regulatory context (entry of the fourth operator, 30-day billing). Service revenues showed the same dynamic as total revenues, totalling 5,125 million euros, 0.6% less than in the first nine months of 2017 (-32 million euros).

Specifically:

Mobile revenues totalled 2,870 million euros (+1.2% compared to the first nine months of the previous year); service revenues decreased slightly, a fall of 23 million euros (-0.9 % than the first nine months of 2017) with a more marked slowdown in the third quarter than observed in the previous year, which may be ascribed to the changed regulatory dynamic;

Fixed revenues totalled 2,777 million euros, less than in the first nine months of the previous year (-2.6% on total revenues in the Fixed segment; -0.5% on revenues from services), with a trend mainly attributable to access dynamics and partially offset by an increase in ARPU levels.

Business: Business segment revenues totalled 3,457 million euros, with an increase of 59 million euros compared to the first nine months of 2017 (+1.8%, +2.2% on revenues from services).

Specifically:

Mobile revenues performed better than in the first nine months of 2017 (+4.7%), due mainly to growth in service revenues (+3.6%) and, in particular, to the growth in new digital services (+6.7% compared to the first nine months of 2017);

Fixed revenues grew by 19 million euros (+0.7% compared to the first nine months of 2017), thanks to the service component (+1.7%), for which the reduction in prices and revenues from traditional services (due to their technological replacement by VoIP solutions and systems) was more than offset by the constant growth in revenues from ICT services (+14.4%).

Wholesale: the Wholesale segment posted revenues of 1,314 million euros for the first nine months of 2018, higher than the corresponding period of 2017 (56 million euros, +4.5%). The reduction in regulated prices, -49 million euros, was offset primarily by growth in accesses, led by

the Ultra Broadband compartment.

International Wholesale Revenues – Telecom Italia Sparkle Group

The revenues of the Telecom Italia Sparkle - International Wholesale group in the first nine months of 2018 totalled **919 million euros**, 76 million euros lower (-7.6%) than in the first nine months of 2017. This result was primarily due to the expiry of long term contracts for the Mediterranean basin and the fall in the value of the dollar against the Euro, which had an appreciable impact on IP/Data and Voice Services revenues.

EBITDA of the Domestic Business Unit was **4,739 million euros** in the first nine months of 2018.

The comparable EBITDA in the first nine months of 2018 totalled 4,958 million euros, 97 million euro less than in the first nine months of 2017 (-1.9%), with a margin of 43.8% (-0.9 percentage points compared to the same period of the previous year).

Organic EBITDA fell by 93 million euros (-1.8%) compared to the first nine months of 2017, reducing the EBITDA margin by 0.9 percentage points, from 44.7% in the first nine months of 2017 to 43.8% in the first nine months of 2018, due to the effects of the regulatory/competitive scenario mentioned earlier (entry of the fourth operator, restoration of 30 day billing, reduction in the prices of some wholesale services).

Net of the non-recurring component, and other one offs, organic EBITDA totalled 5,085 million euros, 2.3% less than in the same period of 2017.

The Domestic Business Unit posted non-recurring operating charges totalling 127 million euros in the first nine months of 2018 (154 million euros in the first nine months of 2017, at the same exchange rates and including some one-offs), primarily due to the previously mentioned provision for the 74.3 million euros fine imposed for the alleged breach of article 2 of legislative decree 21 of 15/3/2012 (the Golden Power law).

In the third quarter of 2018, organic EBITDA was 1,758 million euros, an increase of 63 million euros (+3.7%) compared to the same period of 2017, with an increase of 1.9 percentage points in the EBITDA margin, up from 44.4% in the third quarter of 2017 to 46.3% in the same period in 2018.

Organic EBITDA in the third quarter of 2018, net of non-recurring charges, totalled 1,764 million euros (-1.6% compared to the same period in 2017).

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EBIT of the Domestic Business Unit in the first nine months of 2018 was **251 million euros**, impacted by the afore-mentioned write-down on goodwill of the Domestic Business Unit.

The comparable EBIT for the first nine months of 2018 totalled 393 million euros (2,507 million euros in the first nine months of 2017), down by 2,114 million euros (-84.3%).

Organic EBIT fell by 2,113 million euros (-84.3%).

EBIT in the first nine months of 2018 suffered also the negative impact of non-recurring charges (127 million euros, 184 million euros in the first nine months of 2017 at the same exchange rate and taking account of the one-offs mentioned for EBITDA). Without these charges the organic change in EBIT would have been a fall of 170 million euros (-6.3%), with a margin of 22.3% (23.8% in t