TIM S.p.A.
Form 6-K
May 30, 2018
Table of Contents

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 MAY 2018

TIM S.p.A.

(Translation of registrant s name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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-

Table of Contents

INTERIM MANAGEMENT

REPORT

AT MARCH 31, 2018

Table of Contents

CONTENTS

INTERIM MANAGEMENT REPORT AT MARCH 31, 2018

The Interim Management Report at March 31, 2018 was approved by resolution of the Board of Directors on May 16, 2018.

This document has been translated into English for the convenience of the readers.

In the event of discrepancy, the Italian language version prevails.

Table of Contents

ADOPTION OF THE NEW IFRS 9 AND IFRS 15 STANDARDS

This section provides an overview of the main elements of IFRS 9 (*Financial Instruments*) and IFRS 15 (*Revenue from Contracts with Customers*) and reports the impact of the application of the standards as of January 1, 2018.

IFRS 9 (FINANCIAL INSTRUMENTS)

On November 22, 2016, EU Regulation No. 2016/2067 was issued, which adopted IFRS 9 (Financial Instruments) at EU level, relating to the classification, measurement and derecognition of financial assets and liabilities, impairment of financial instruments, and hedge accounting.

As permitted by IFRS 9, the TIM Group has opted for:

- the continued application of the hedge accounting requirements of IAS 39, instead of the requirements of IFRS 9;
- the non-restatement of comparative information provided in the year the new standard is first applied.

Commencing as of January 1, 2018, TIM has amended the impairment model applied to financial assets (including trade receivables due from customers), adopting an expected credit loss model, which replaces the incurred loss model required by IAS 39. In application of IFRS 9, the classification (and hence measurement) of financial assets has also been modified and is now based on the entity s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Under IAS 39, financial assets were classified (and hence measured) on the basis of their destination.

TIM Management has identified its business models for Group financial assets (other than trade receivables due from customers) on the basis of how the financial instruments are managed and their cash flows used. The purpose of the models is to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the short, medium and long-term financial resources immediately available to the Group through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted by the TIM Group are:

- *Hold to Collect*: covering financial instruments measured at amortized cost : i) which are used to absorb temporary cash surpluses and ensure suitable market returns; ii) which by their nature are low risk; iii) which are mainly held to maturity;
- *Hold to Collect and Sell*: covering financial instruments measured at fair value through other comprehensive income : i) which are used to absorb short/medium-term cash surpluses; ii) which are classed as low-risk monetary or debt instruments; iii) which are normally held to maturity or sold in the event that specific cash

needs arise;

Hold to Sell: covering financial instruments measured at fair value through profit or loss : i) which are used to dynamically manage cash surpluses not managed under the business models identified above; ii) which are classed as monetary, debt or equity trading instruments with a higher level of risk and subject to greater price volatility than in the previous business models; iii) which are not normally held until their natural maturity, but purchased and sold repeatedly, even in very short periods of time.

For the management of trade receivables, TIM Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, the management of programs for the disposal of receivables, and the factoring of receivables, in line with financial planning needs.

The business models adopted by the TIM Group for managing trade receivables are:

Hold to Collect: this model covers receivables from the provision of services and the sale of products to Corporate customers, the Public Sector, and OLOs, as well as other non-core receivables. Such receivables are measured at amortized cost , are low risk, and are generally held to maturity. Management will assess opportunities for the sale of individual positions only, where conditions are favorable;

Hold to Collect and sell: this model envisages the recurring and mass sale of receivables from the provision of services to Consumer and Small Business customers, where invoices issued before the termination of the contract are earmarked for disinvestment, receivables from the sale of products to Mobile Consumer customers bundled with prepaid offers (handsets), receivables from sales to Dealer networks, and receivables from the sale of products to Fixed-line Consumer and Business customers on installment plans or single payment terms. These receivables are measured at fair value through other comprehensive income .

Table of Contents

At the transition date (January 1, 2018), TIM has chosen to continue to report gains and losses from other investments (other than those in subsidiaries, associates and joint ventures) , classified under IAS 39 as available-for-sale financial assets and measured at fair value, through other comprehensive income, also under IFRS 9. As of January 1, 2018, other investments are therefore measured at fair value through other comprehensive income (FVOCI). Only dividends from other investments are recognized through profit or loss, while all other gains and losses are recognized through other comprehensive income without reclassification to the separate income statement when the financial asset is disposed of or impaired as provided by IAS 39.

The changes in the classification of financial assets had no material impact on the measurement of the assets for the TIM Group.

The comprehensive net impact (including tax effects) of the adoption of IFRS 9 on consolidated equity at January 1, 2018 (transition date) was mainly linked to the recognition of higher provisions for expected losses on trade receivables, connected with the introduction of an expected credit loss model, replacing the incurred loss model required by IAS 39.

IFRS 15 (REVENUES FROM CONTRACTS WITH CUSTOMERS)

On September 22, 2016, EU Regulation No. 2016/1905 was issued, which adopted IFRS 15 (*Revenues from contracts with customers*) and the related amendments at EU level. On October 31, 2017, clarifications to IFRS 15 were adopted through EU Regulation No. 2017/1987.

IFRS 15 replaces the standards that formerly governed revenue recognition, namely IAS 18 (*Revenue*), IAS 11 (*Construction contracts*) and the related interpretations on revenue recognition (IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC 31 *Revenue Barter transactions involving advertising services*).

The TIM Group has applied the modified retrospective method with the recognition of the cumulative effect of the first-time application of the standard as an adjustment to the opening balance of equity for the period when the standard is adopted, without restating prior periods.

The adoption of IFRS 15 affected the recognition of revenues from fixed-line and mobile offers and the recognition of contract costs. The new standard does not affect cash flows. The main differences with respect to the previous accounting standards applied (IFRS 15 vs. IAS 18, IAS 11 and relative Interpretations) concern:

- bundle offers (bundled good and services): the allocation of contract discounts to performance obligations under IFRS 15 brings forward in time the recognition of revenues, resulting in the recognition of a contract asset and, in some cases, the deferral of revenues, entailing the recognition of a contract liability;

- activation/installation revenues: under previous accounting policies, these were deferred over the expected duration of the customer relationship. IFRS 15 requires that such revenues given that they are not allocated to

- separate performance obligations are allocated to other contract obligations, bringing forward in time the recognition of the revenues;

- contract costs (incremental costs of obtaining a contract and costs to fulfill a contract): under previous accounting policies, these costs were capitalized or deferred and recognized in the income statement on the basis of the expected duration of the contract and the type of customer. The approach is substantially confirmed under IFRS 15, with the exception of the reclassification of certain contract costs and the change in the types of costs considered, in some cases.

The comprehensive net impact (including tax effects) of the adoption of IFRS 15 on consolidated equity at January 1, 2018 (transition date) was not material and mainly connected with the combined effects of:

- the change in the types of contract costs that are deferred (negative effect);

- the new approach to recognizing activation/installation revenues and the recognition of contract assets connected with the earlier recognition of revenues from bundle offers (positive effect).

Table of Contents

IMPACT OF THE ADOPTION OF IFRS 9 AND IFRS 15

Impacts on the consolidated financial position at 1/1/2018 (transition date)

The impacts of the transition on the main line items of the statements of financial position are shown below.

(millions of euros)	12/31/2017 historical	Impacts IFRS 9	Impacts IFRS 15	1/1/2018 restated
Assets				
Non-current assets				
Intangible assets				
Intangible assets with a finite useful life	7,192		(110)	7,082
Other non-current assets				
Non-current financial assets	1,768			1,768
Miscellaneous receivables and other non-current assets	2,422		(269)	2,153
Deferred tax assets	993	27		1,020
Current assets				
Trade and miscellaneous receivables and other current assets	4,959	(147)	42	4,854
Current financial assets	5,005			5,005
Total Assets	68,783	(120)	(337)	68,326
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent	21,557	(100)	17	21,474
Non-controlling interests	2,226	(7)	2	2,221
Total Equity	23,783	(107)	19	23,695
Non-current liabilities				
Miscellaneous payables and other non-current liabilities	1,678		(251)	1,427
Deferred tax liabilities	265	(11)	8	262
Current liabilities				

Trade and miscellaneous payables and other current liabilities	7,520		(113)	7,407
Current income tax payables	112	(2)		110
Total Equity and Liabilities	68,783	(120)	(337)	68,326

Impact of new accounting standards (IFRS 9 and IFRS 15) on the main line items of the separate consolidated income statements and consolidated statements of financial position for the first quarter of 2018

To enable the year-on-year comparison of the economic and financial performance for the first quarter of 2018, this Interim Management Report shows comparable financial position figures and comparable income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretations).

The breakdown of the impact of the new accounting standards on key consolidated income statement figures for the first quarter of 2018 is shown below.

Table of Contents

(millions of euros)		1st Quarter 2018 (a)	1st Quarter 2018 comparable (b)	Impact new standards (c=a-b)
Revenues	1)	4,709	4,742	(33)
Operating expenses	2)	(2,949)	(2,906)	(43)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		1,817	1,893	(76)
Depreciation and amortization	3)	(1,055)	(1,089)	34
Operating profit (loss) (EBIT)		764	806	(42)
Finance income/(expenses)	4)	(357)	(354)	(3)
Profit (loss) before tax from continuing operations		415	460	(45)
Income tax expense	5)	(163)	(174)	11
Profit (loss) for the period		252	286	(34)
Attributable to:				
Owners of the Parent		216	250	(34)
Non-controlling interests		36	36	

1) The change in **Revenues** was attributable to the different accounting of bundle offers and activation/installation revenues and to the discounting of revenues from installment sales at a revised discount rate, reflecting the creditworthiness of customers.
2) The change in **Operating expenses** was mainly due to the deferral of certain contract costs that were previously expensed and to the reclassification of some contract costs from intangible assets to other non-current assets (cost deferral), as well as higher provisions for expected losses on trade receivables, resulting from the introduction of an expected credit loss model (replacing the incurred loss model).
3) The change in **Depreciation and amortization** was due to the reclassification of certain contract costs from intangible assets to other non-current assets (cost deferral).
4) The change in **Finance income (expenses)** was due to higher provisions for expected losses on other financial assets, due to the introduction of an expected credit loss model (replacing the incurred loss model).
5) The change in **Income tax expense** shows the income tax effect of the changes illustrated above.

at March 31, 2018

Table of Contents

The breakdown of the impact of the new accounting standards on the main consolidated statements of financial position figures at March 31, 2018 is shown below.

(millions of euros)	3/31/2018 (a)	3/31/2018 comparable (b)	Impact of new standards (c=a-b)
Assets			
Non-current assets			
Intangible assets	36,217	36,326	(109)
Tangible assets	16,124	16,124	
Other non-current assets	4,579	4,823	(244)
Total Non-current assets	56,920	57,273	(353)
Current assets	9,048	9,165	(117)
Total Assets	65,968	66,438	(470)
Equity and Liabilities			
Equity			
Equity attributable to Owners of the Parent	21,434	21,548	(114)
Non-controlling interests	2,208	2,213	(5)
Total Equity	23,642	23,761	(119)
Non-current liabilities	30,423	30,690	(267)
Current liabilities	11,903	11,987	(84)
Total Liabilities	42,326	42,677	(351)
Total Equity and Liabilities	65,968	66,438	(470)