TIM Group

FY'18 Results and 2019-'21 Plan
TIMe to deliver and delever

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Luigi Gubitosi
Piergiorgio Peluso

TIM

Safe Harbour

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 the International Financial Reporting Standards issued by IASB and endorsed by the EU (IFRS). The accounting policies and consolidation principles adopted in the preparation of the financial results for the FY18 and the 19-21 Industrial Plan have been applied on a basis consistent with those adopted in the 2017 Consolidated Financial Statements.

The FY 2018 results include the effects arising from the adoption, starting from 1 January 2018, of the new standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). To enable the year-on-year comparison of the economic and financial performance, this presentation shows "comparable" statement of 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 Interpretation).
The FY18 results have not yet been verified by independent auditors.
Segment information is consistent with the prior periods under comparison.

FY'18 Results and 2019-'21 Plan

Where TIM stands today

Unique assets

- Longstanding brand value and awareness
- Largest customer base in Italy
- Most complete "one-stop-shop" offering for B2B
- Largest commercial footprint across all segments
- Best mobile network quality and fixed backbone infrastructure
- Best performing player in the Italian market, resilient to challenging market environment on top line …

Unresolved issues

- **Resiliency in top-line at the expense of:**
  - Rising cost structure
  - Cash-flow erosion
    - Working capital absorption
    - Increasing need for investments
- **Strategic priorities identified** by previous plans still **not executed**
- **Employees engagement**
- **Short term and tactical business conduct**
- **Siloed**, functionally and geographically **fragmented organization**

The First 100 Days

Revamp Culture and Organization

- **Revamp management team**: new managers appointed
- **Delivery Units launched**: focus on execution
- **People Accountability**

Strategic Initiatives

- **Network sharing partnership with Vodafone Italia** on both active and passive infrastructure
  - Signed non-binding memorandum of understanding
  - **Active sharing**: partnership for 5G technologies
  - **Passive sharing**: potential Business Combination of respective passive infrastructures
- **Potential partnership in fiber roll-out with Open Fiber**
  - NDA signed and advisors appointed
  - Both parties are exploring all potential options with the objective of maximising synergy realisation, including full business combination
- **Persidera: received an additional non-binding offer, started exclusive negotiations**

2019-2021 Strategic plan: TIMe to deliver and delever

- **Execution**: discipline, focus and simplicity
- **Revamp domestic business**: value and quality positioning, modernization, efficiency
- **Further develop Brazil**: ride growth waves and efficiency plan

Network Sharing Partnership with Vodafone Italia

Principles of the Transaction

Current status	• TIM and Vodafone Italia signed a non-binding memorandum of understanding to enter into a new **network sharing agreement**
Transaction rationale	• Accelerate and enhance the deployment of 5G technology and use network infrastructure more efficiently • **Expansion of existing passive sharing** agreement and potential **Business Combination** of Inwit and Vodafone Italia passive infrastructure in a single entity • **Active network sharing** partnership • **Open architecture** approach: competitors welcome • **Co-operation to upgrade** their respective fibre transmission networks for **mobile backhauling**
Transaction structure	• **No mandatory tender offer** on Inwit will be triggered • Parties will have **equal shareholding and governance rights** • Closing – subject to all necessary regulatory approvals – is expected by **end of 2019**

Network Sharing Partnership with Vodafone Italia

Expansion of existing passive sharing agreement and new active network sharing agreement

TIM / vodafone	Description	Envisaged Benefits
Passive Infrastructure	• Expansion of current passive sharing agreement to a nationwide agreement • Potential Business Combination of Inwit and Vodafone Italia towers infrastructure • Combined portfolio of c. 22,000 towers	• **Accelerate** deployment of **5G** • Increased **infrastructure mutualisation** • **Cost / CAPEX optimisation** • **New revenue** streams and **site decommissioning** for Inwit
Active Infrastructure	• Joint roll-out of 5G infrastructure • Joint ownership of active equipment to remain with TIM and Vodafone	• **Accelerate** 5G deployment • **Wider** geographic coverage • **Significant OPEX and CAPEX synergies**

Backhauling	• Upgrade of respective fiber transmission networks with higher capacity optic fibre cables	• Increased **capital efficiency**
		• Improved **customer experience**, allowing development of new use cases
		  ◦ **Faster** speed
		  ◦ **Lower** latency

Potential Partnership in Fiber Roll-out

Update on Dialogue with Open Fiber

Rationale of the project

- TIM strongly believes in the **value potentially generated by a single state-of-the-art network infrastructure, delivering benefits for all the stakeholders**: TIM and OF, market, shareholders, Italian citizens and the whole Country
- In light of this, TIM has started a **dialogue with OF to explore all the potential options**, including commercial partnership, co-investment agreement or full business combination between NetCo and OF

Status and next steps

- In order to analyse a potential deal between TIM and OF, the following actions have been taken:
  - **Confidentiality agreement** has been signed and **advisors have been appointed** by both parties
  - **Various teams, including financial advisors, external technical advisors and selected corporate functions**, are working already in order to support TIM and OF
  - **Induction presentations have been already organized** and activities will proceed in the forthcoming weeks to refine analyses on the nature, structure and implications of the various options available for a potential deal between TIM and OF

Regulatory framework supportive

- In December 2018, the Parliament approved the “Collegato Fiscale” aimed at encouraging the development of investments in ultra-broadband network infrastructure
- Most stakeholders have expressed interest and support for a single network

FY’18 Results and 2019-’21 Plan

FY'18: Stable revenues and growing Operating Free Cash Flow, despite challenges

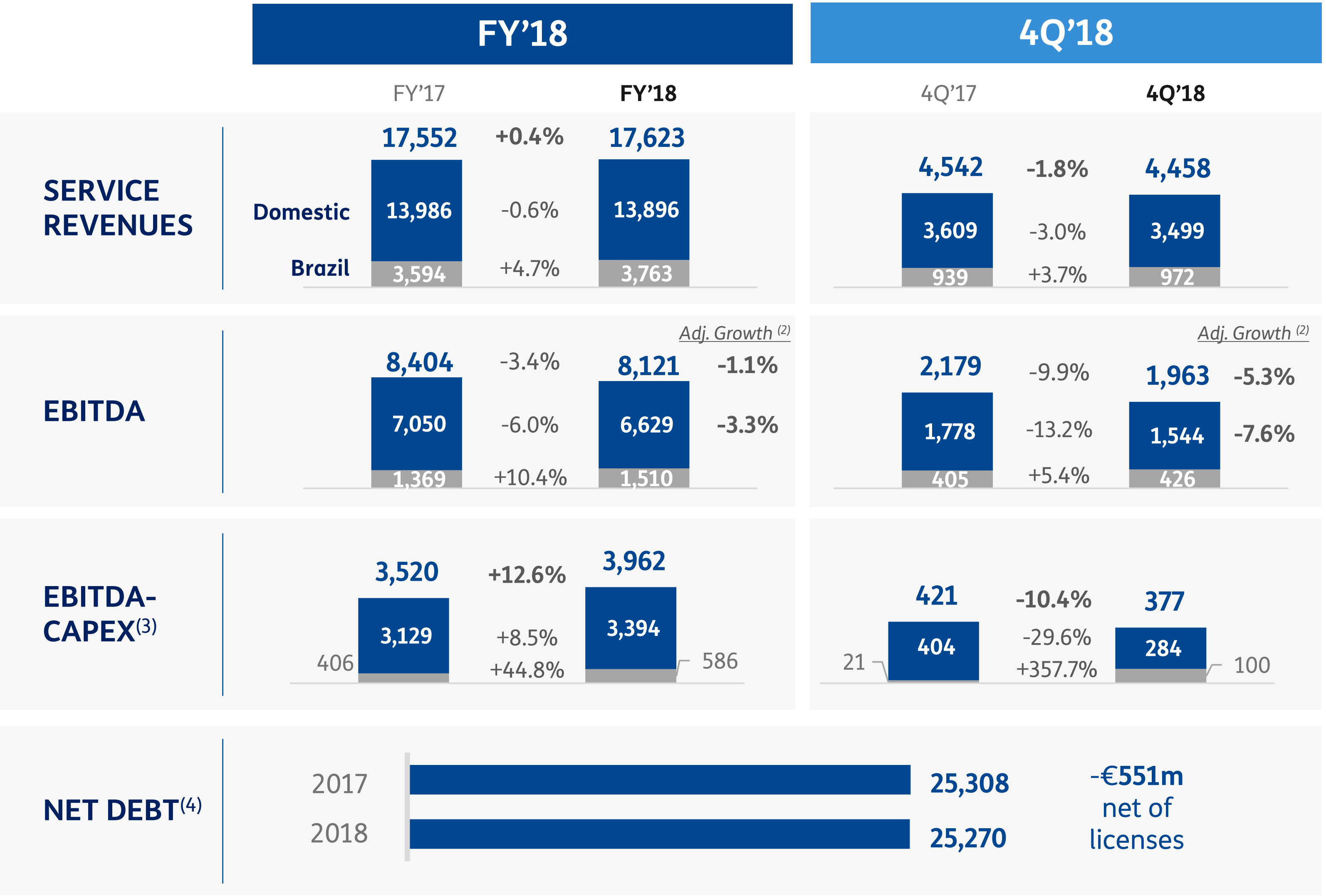
Organic data (1), €mln

Group service revenues +0.4% on a full year basis: Brazil growing mid single digit, domestic almost flat, overperforming competitors

Market dynamics and non-linear items impacting 4Q domestic service revenues and EBITDA

FY EBITDA less CAPEX growing double digit excluding license payments

Stable Group net debt despite payment of a total of €513m on licenses in 2018 (€477m for 5G in Italy) and NWC absorption (-€964m(3))



(1) Excluding exchange rate fluctuations & non recurring items; before IFRS 9, 15, 16
(2) Adjusted EBITDA growth: excluding non-linear items (€195m FY and €105m 4Q: €45m liability reversal, €26m vendor rebates, €34m accounting adjustments). See annex
(3) CAPEX and NWC net of License: 2017 €630m, 2018 €2,399m for Italian 5G (of which €477m paid) and €36m for Brazilian spectrum clean up
(4) Adjusted

4Q FSR +1.2% yoy, driven by consumer ARPU growth, business, wholesale

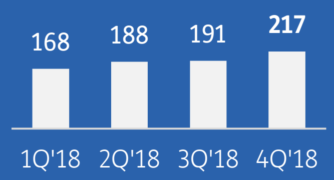
Consumer

- Positive net effect on revenues from two price increases (€1.95 net of VAT in July and €1.2 in Nov) led to strong ARPU growth at the expense of line losses
- Head of Business now in charge of Consumer. Focus on upselling rather than repricing. Line loss trend improving from Q1 as a result
- TIM Vision reaching ~1.7 mln registered clients

Business

- Benefiting from quality perception and pricing power. Growing in 4Q as well as on a FY basis
- ICT grew 15% YoY, strong contribution from Cloud services to PA, growing further in 2019

ICT Revenue (€ mln)

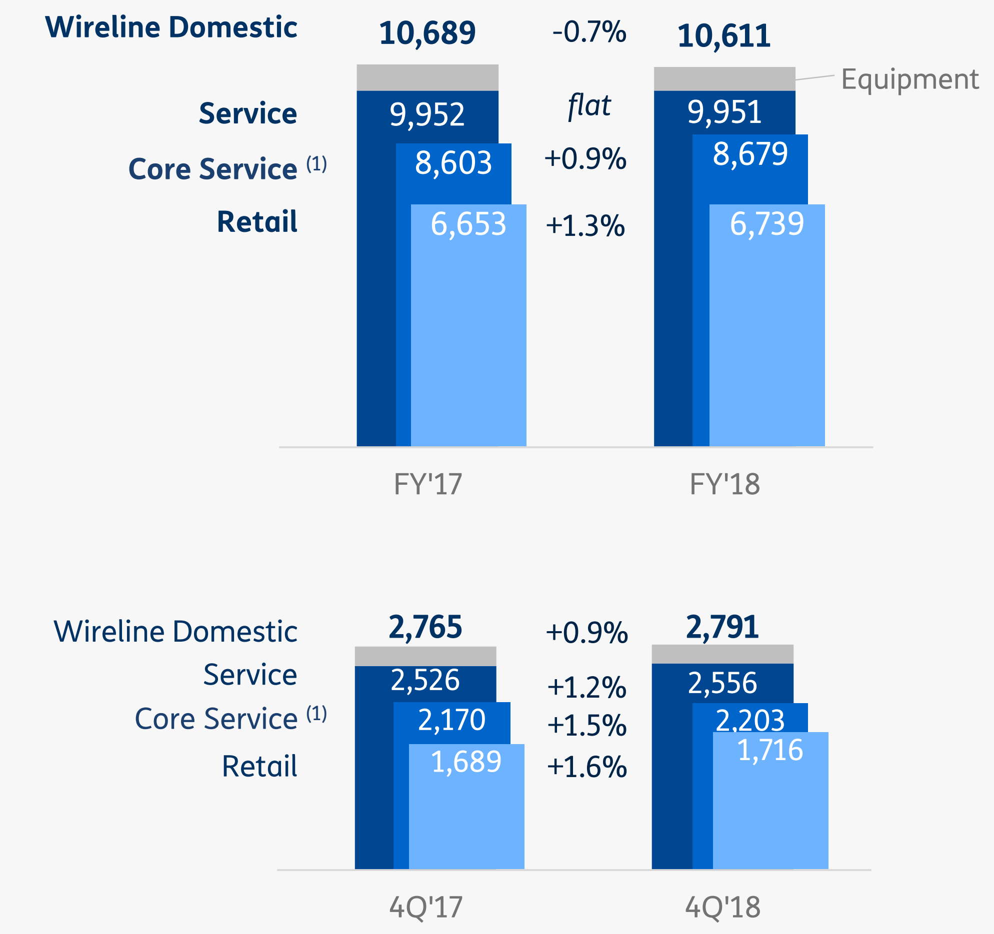


Wholesale

- Domestic WHS grew 1.7% yoy in 4Q despite 3.2% drag from regulated prices (expected to fade). Strong growth in VULA demand more than offsetting decline in LLU
- Sparkle revenues stabilized in 4Q

Wireline Revenues

Organic data, € mln



(1) Includes Domestic Wholesale and excludes Sparkle

Strong fixed ARPU growth from FTTx conversion and repricing

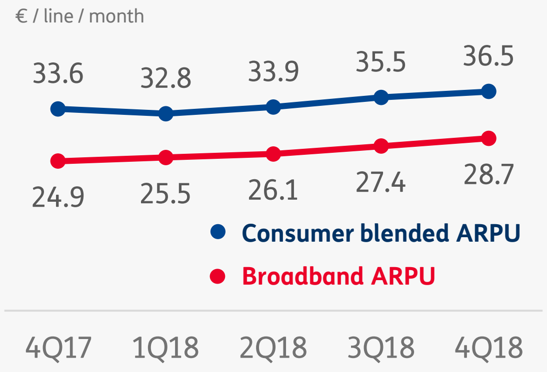
Strong migration to fiber: TIM retail fiber subs +47% yoy (42% penetration on BB customer base, +14 p.p. yoy); wholesale fiber lines +129%

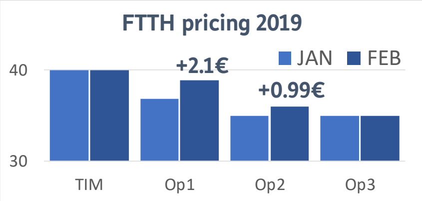
Consumer ARPU growth accelerating to 8.7% yoy (+6.4% in Q3) with BB ARPU +15.4% yoy (+11.8%) positively impacted by repricing actions during 2018 and offsetting the 28-days to monthly billing effect

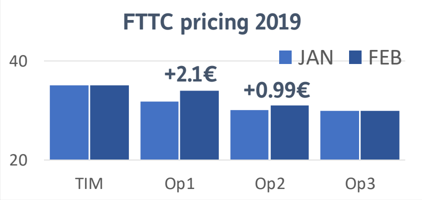
Market is starting to follow TIM’s rationality: strong promos cooling down, **several price increases** in recent weeks

Peak impact on line losses in 4Q churn related. January on an improving path thanks to end of 28-day billing noise and competitors’ price increase

ARPU - Pricing trends[3]

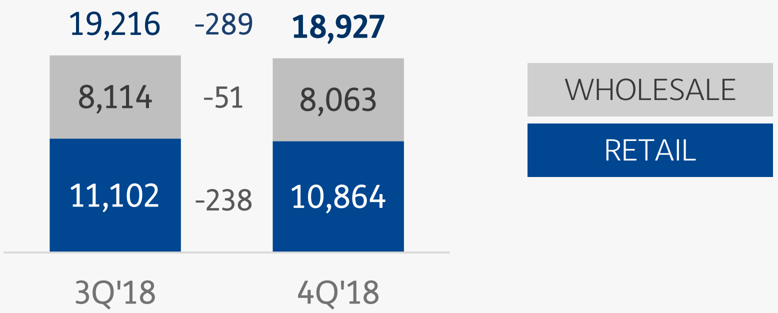




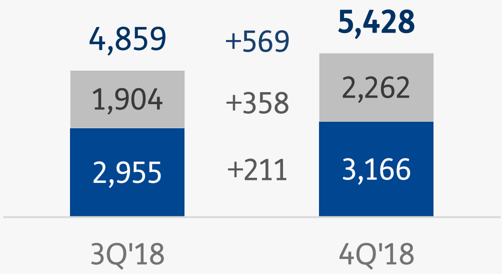


Accesses

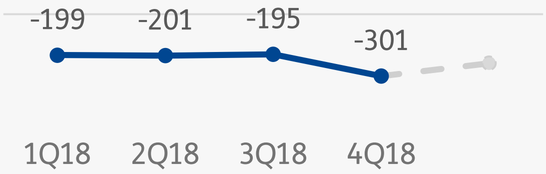
Total Accesses (1)
on TIM Infrastructure



FTTx



Line Losses (2)



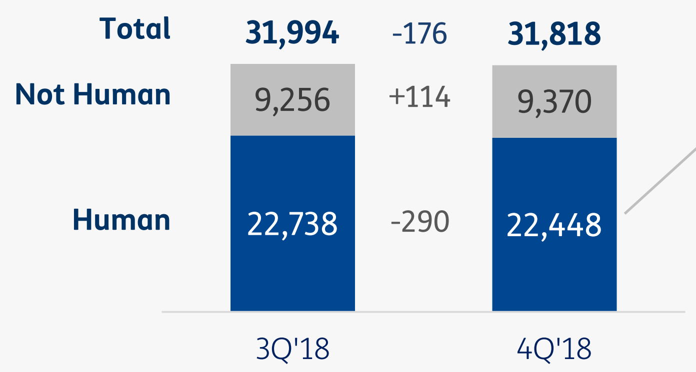
Line losses impacted by repricing and voice-only churn (~ -200k in 4Q’18), progressively easing in 1Q 2019

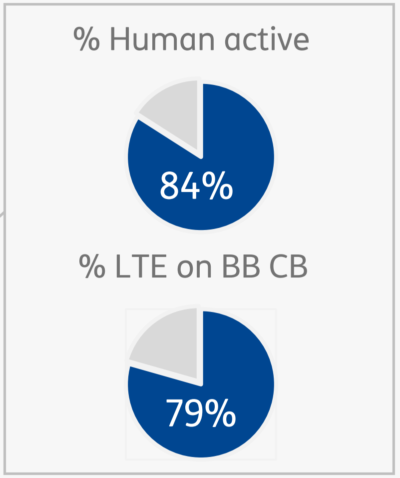
(1) Retail VoIP included
(2) VoIP excluded
(3) FTTH /FTTC total monthly prices, including: line rental, unlimited data, unlimited calls, modem, activation fee

TIM best-in-class in defending its customer base from new entrant/MVNOs

Customer Base

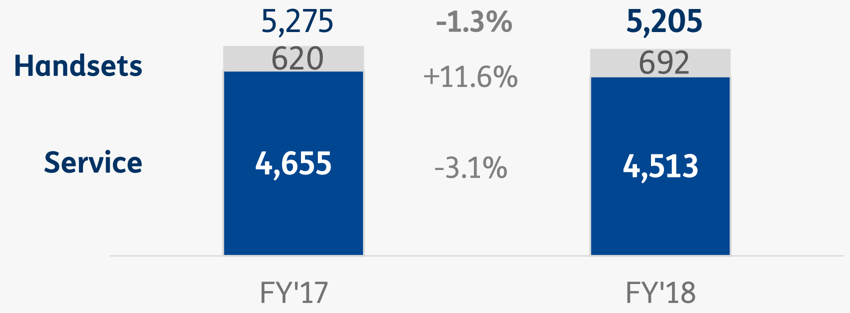
k, Rounded numbers

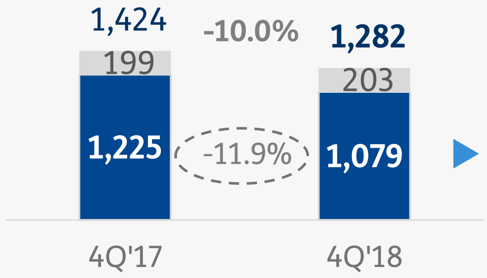


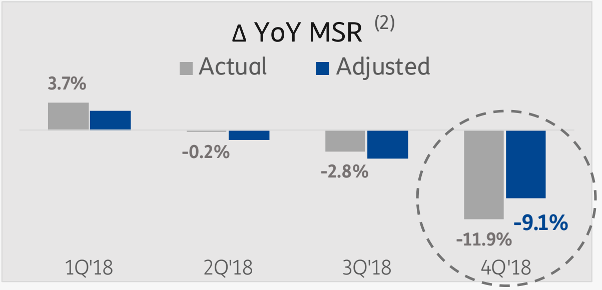


Mobile Revenues

Organic data, € mln



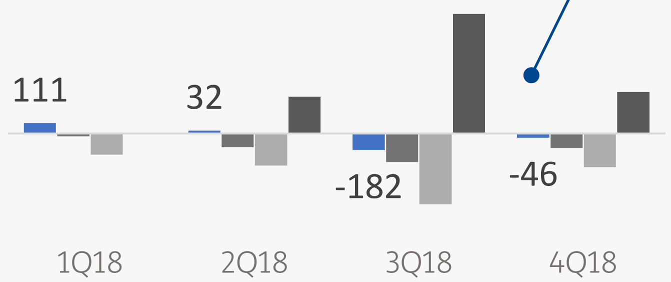


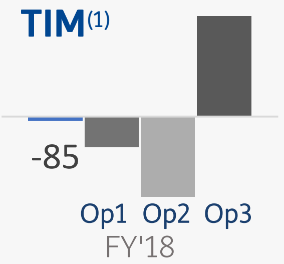


Mobile Number Portability trend

k, Rounded numbers

“Washing-machine” effect penalizing EBITDA (high commercial costs) cooled down starting from Q4





4Q mobile service revenues affected by ARPU pressure (lower out of bundle, very low entry level prices)

Market prices on customer acquisition now on an increasing trend

Positioning on quality to be enhanced further in the new plan

(1) *TIM+Kena*

(2) Mismatch in pre-paid cards accounting in Q1, Q2 and Q3 was corrected in Q4. No drag in future years and no impact on FY 2018

Strong Results Rewarding a Year of Many Challenges in the Brazilian market

Organic Performance, R$mln, Rounded numbers

Service Revenues up 3.7% YoY in 4Q and +4.7% in 2018

MSR increased 3.5% YoY in 4Q and +4.5% in 2018

TIM Live Revenues up by 37.5% YoY in 4Q and +39.4% in 2018

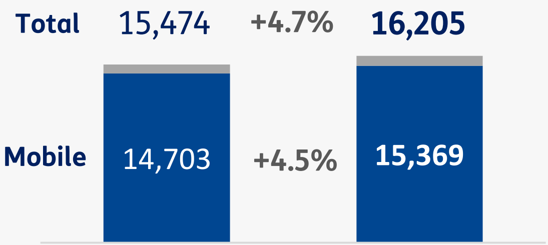
Solid network development:

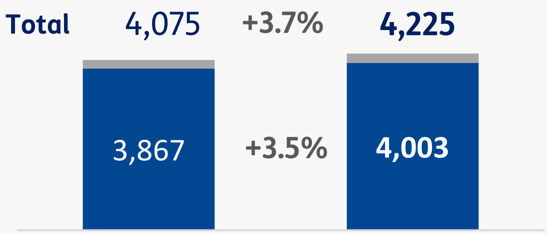
- 510 new cities out of 1,426 with 700 Mhz
- 9 new cities out of 14 with FTTH in 2018

2018 Guidance delivered

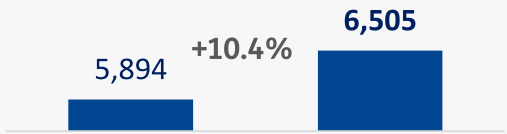
FY'18 (FY'17 vs FY'18) | 4Q'18 (4Q'17 vs 4Q'18)

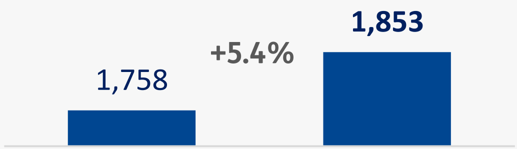
SERVICE REVENUES



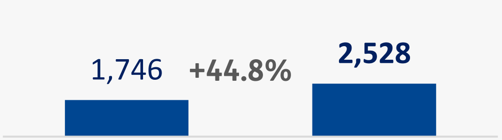


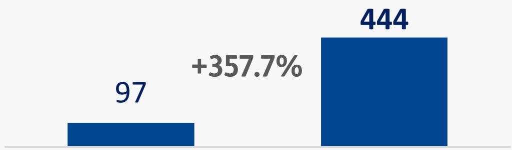
EBITDA





EBITDA-CAPEX





TIM Live Revs	TIM Live ARPU	12 Months TIM Live Net Adds	Mobile ARPU	12 Months Postpaid Net Adds	FTTH HH (1)
R$ 383 mln in FY'18 **+39.4%** YoY	R$ 82.1 in 4Q'18 **+14%** YoY	**+75k** (CB: 467k)	R$ 23.7 in 4Q'18 **+8%** YoY	**+2.4 Mln** (CB: 20.2 Mln)	**+1.1Mln** vs YE'17

(1) Addressable HH ready to sell

OPEX: one-offs affect YoY comps; action taken to improve underlying performance

Commercial: higher COGS and commissioning to support revenue generation, higher bad debt and credit costs[1]. New plan envisages new commercial structure

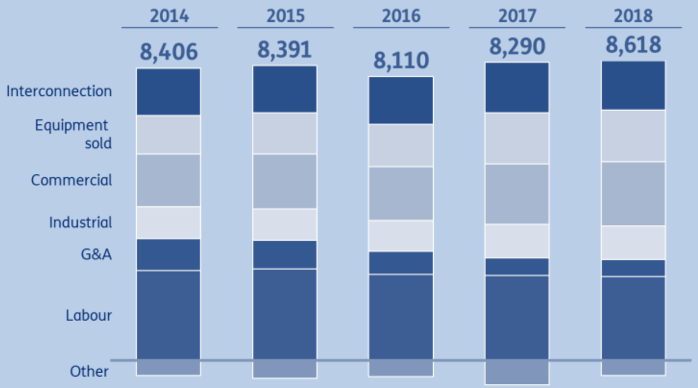
Industrial: energy efficiency on industrial sites

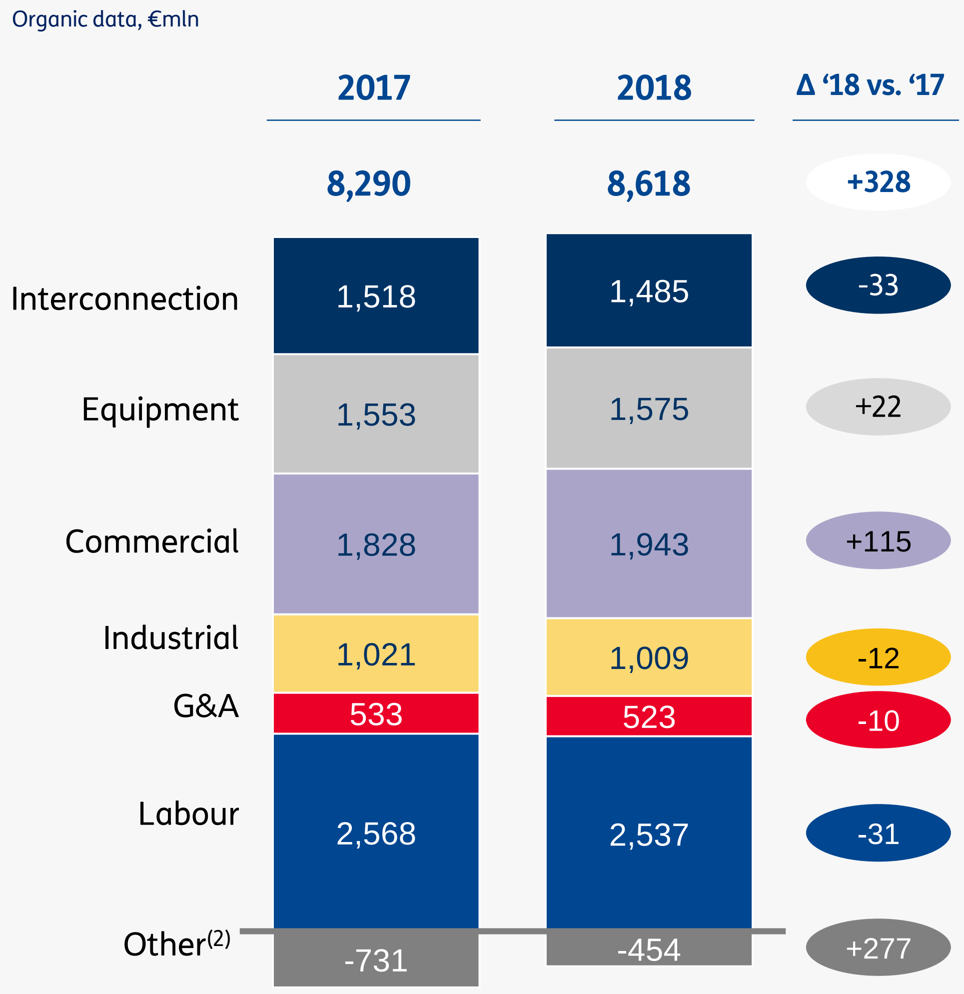
G&A, IT: positive impact of "zero-based" approach and real estate space reduction (sqm -500k)

Labour: headcount decrease related to Art.4, partially off-set by lower Solidarity impact vs. '17

Other costs comparison heavily impacted by one offs: e.g. liabilities reversal €112m in '17, vendor rebates €83m

OPEX trend in recent past leaves opportunities for cost-cutting in the coming years





(1) Associated to sales of receivables
(2) Includes other income/provision

CAPEX on a decreasing trend. 5G spectrum provides competitive advantage

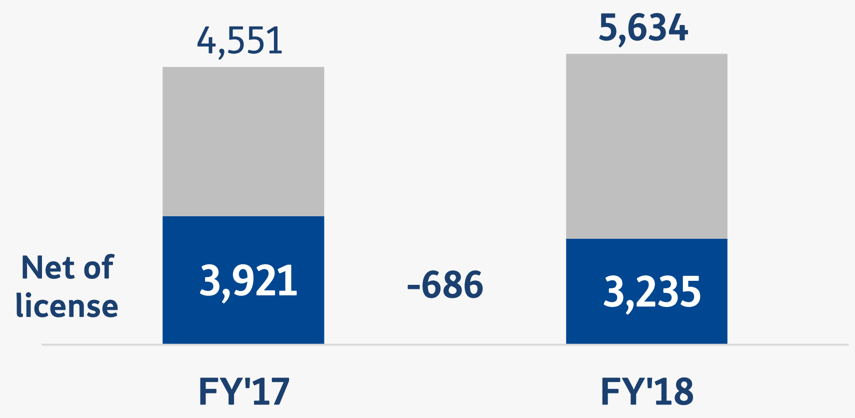
UBB coverage extended in line with Plan. Further expansion will now continue in synergy with 5G (FWA)

4G access CAPEX will benefit from up-and-coming VRAN technology

Heavy traffic growth fully supported

Procurement optimization on the way: number of suppliers and unitary costs on a falling path expected to accelerate

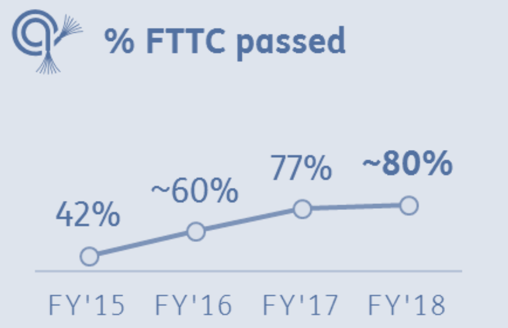
Organic data, €mln, Δ YoY



CAPEX on sales (1)	25.6%	-4.4 p.p.	21.2%

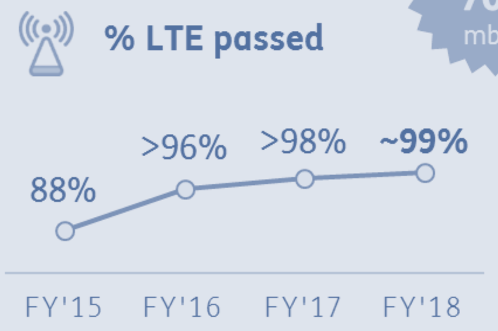
5G spectrum auction (€2.4bn) creating a 2-tier market, with TIM playing in «premium league»

Fixed UBB



Mobile UBB

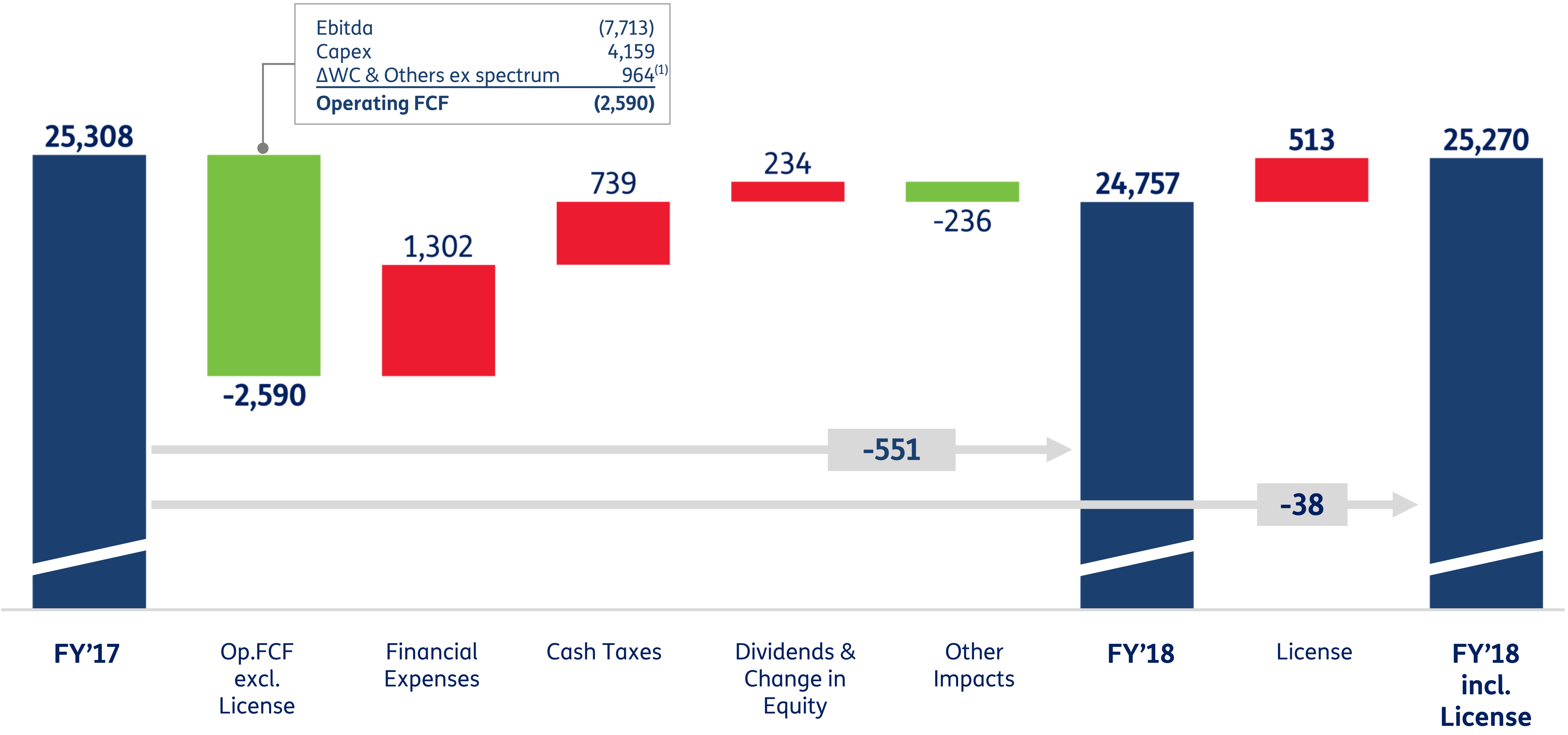
4.5G up to 700 mbps



(1) Excluding Licenses

Net financial position affected by license payments and NWC absorption

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



(1) See details in the annex

Key Take-aways on 2018

A challenging year

- **Competition**: Iliad launch, competitors reaction to Iliad's launch, aggressive fiber promos
- **Comparability**: positive 2017 and adverse effect of non linear items
- **Regulatory**: 28 days billing roll-back, wholesale prices, roam-like-at-home

Mixed results

- **Stable** FY'18 revenues, thanks to Brazil's growth and resilience of domestic business
- **EBITDA** impacted by OPEX dynamics, non-linear items and commercial push
- **Net Debt**: stable on 2017, despite €0.5bn spectrum payments (5G in Italy) and NWC absorption

Time to turnaround

- Early signs of market dynamics improving and competitive intensity easing
- Time to tackle unresolved issues in TIM
- **Time to deliver and delever**

FY’18 Results and 2019-’21 Plan

2019-’21 Strategic Plan: TIMe to deliver and delever

Execution

discipline, focus and simplicity

Revamp domestic

Commercial
Quality positioning

Technology
Modernization, simplifica-tion and intelligence

Operations
Quality and reliability on all customer touchpoints

Efficiency
Structurally leaner cost base

Further develop Brasil

Commercial
Growth waves on Consumer postpaid, Mobile B2B, Digital

Infrastructure
Fiber deployment acceleration, global deals for network access

Efficiency
Continuous improvement

ROIC

- Boost return on capital invested *(stabilize revenues, cut costs and NWC absorption)*
- Optimize invested capital *(new industry paradigm)*

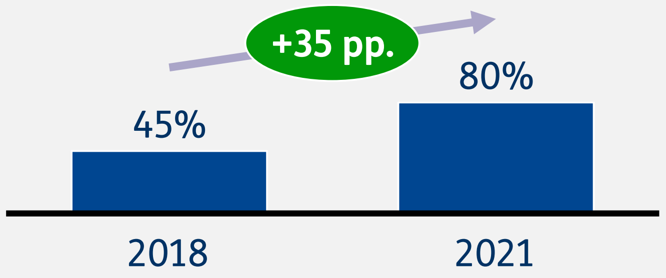
Delever

Commercial – Consumer: «Quality is the name of the game»

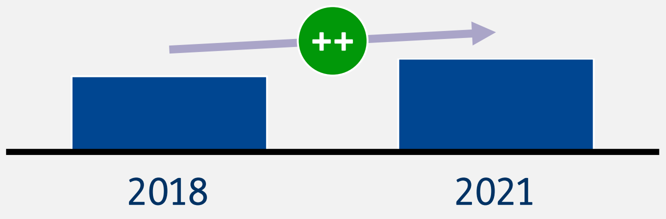
Our assets	Key Strategic Priorities	
Network quality	**New quality offer**	• **From “number of GB” to “quality of service and speed”** on mobile (premium connectivity on video, gaming) • **Premium positioning with “best speed and security”** concept on fixed (modular adds-on, family convergence, modem and home devices) • **From repricing to continuous upselling** based on valuable services (e.g. security, 5play, priority network, assistance)
Scale	**Channel simplifi-cation**	• **Partners’ consolidation** with focus on mono-brand and stricter commissioning to maximize NPV • Flexible **tactical alternative channels** (e.g. telesales)
Technical capabilities	**Caring evolution**	• **Unified fixed-mobile** and content caring • **Scale-up self care** (i.e. IVR, self SMS, APP), **monetize human caring** • **Process efficiency** (e.g. automation, process revision, offer simplification)

KPIs evolution

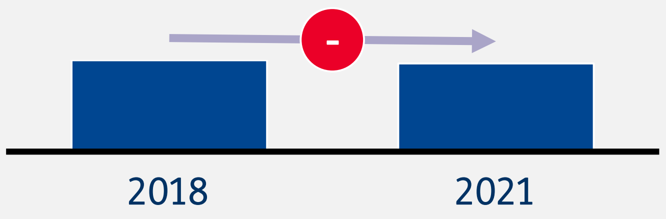
UBB penetration[1], %



ARPU



Customer Base

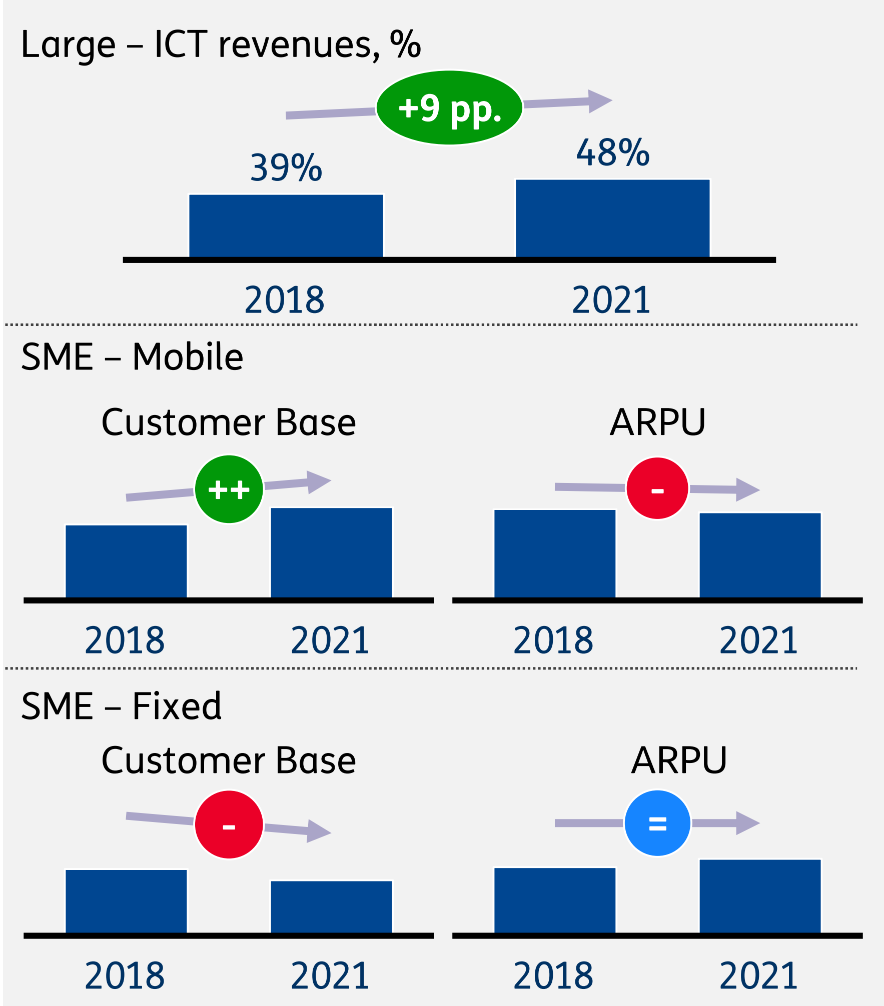


(1) Percentage of broadband customer base

Commercial – Business: evolution towards a solution provider

Key Strategic Priorities	
Large **Evolve towards a solution provider**	• **5G leadership positioning**: – Maintain **leadership in connectivity** (e.g. FWA, flexible connectivity packages, premium profiles based on network slicing, smart manufacturing) – Step-up **from carrier to service manager** (e.g. vertical app smart cities, public safety), hyperconvergence and multi-cloud • **Boldly entering ICT arena** (partnerships and potential M&A)
SME **Evolve offer and proposition towards "one stop shop"**	• **100% IP-based offer**: fiber connection and only VOIP cloud-based services • **"Real convergence"**: single number, single invoice including managed services / unified communication layer • Tangible **value added services** (e.g. security, office assistance, insurance) and **contiguous market offerings** (e.g. ICT, energy)
Reinforce operating model	• **Reskilling** direct sales force as a core asset • Contract-to-delivery time reduction, **streamlining** and further **automating** provisioning and activation processes

KPIs evolution



TIM

Commercial – Wholesale: maintain access market leadership, grow in not regulated

Key Strategic Priorities

Regulated
Defend access market and maintain UBB coverage leadership

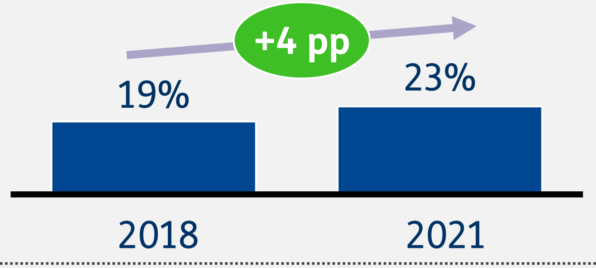
- **UBB take-up by new pricing models and service rules** (e.g. pay per use UBB for vacation houses)
- **Fast access to services** especially for non-infrastructured OLOs[1] (e.g. temporary offering for exchanges not yet activated)
- **Expand value chain offering** (e.g. internal house wiring on demand)
- **Complete remaining FTTC coverage** and **continue to develop FTTH access**

Not regulated
Grow in connectivity, dark fiber and boost sales effectiveness

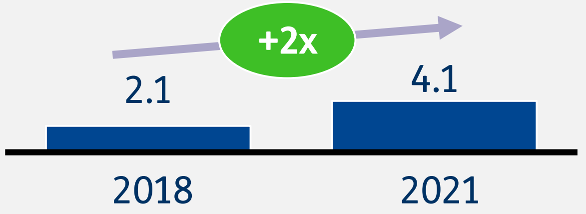
- **Connectivity** and **big deals:**
  - Leverage **new network capabilities** (e.g. automation, API) to allow greater flexibility and faster time to market for customers
  - Introduce **new pricing model** based on volume and geographical areas
- **Digital Services** and **mobile:**
  - Evolve core **offering portfolio** (e.g. IoT wholesale, FWA) and introduce new **cloud services** (e.g. VoIP hosting)
- Improve **customer experience** with new digital channels and process simplification
- Improve **sales effectiveness** through better billing, targeted marketing campaigns

KPIs evolution

Not Regulated Revenues,
% on Total Wholesale Revenues

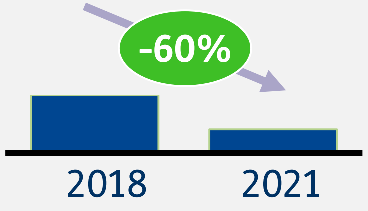


Fiber accesses
(VULA + BTS NGA, m)



GEA[2] direct pre-sale leadtime, # days

GEA indirect pre-sale leadtime, # days



(1) Other Licensed Operator
(2) Gigabit Ethernet Aggregator service

Technology – Modernization, simplification & intelligence

Key Strategic Priorities

***Modernization* & innovation as business enablers**

- **New 5G and vRAN(1) stacks, complete migration to all-IP** for both core and transport
- **Automation** of activities at scale on target platforms (5G, vRAN) and tactically on legacy platforms
- **OSS/BSS architecture renewal**, completing to build a new digital and convergent "operating system"

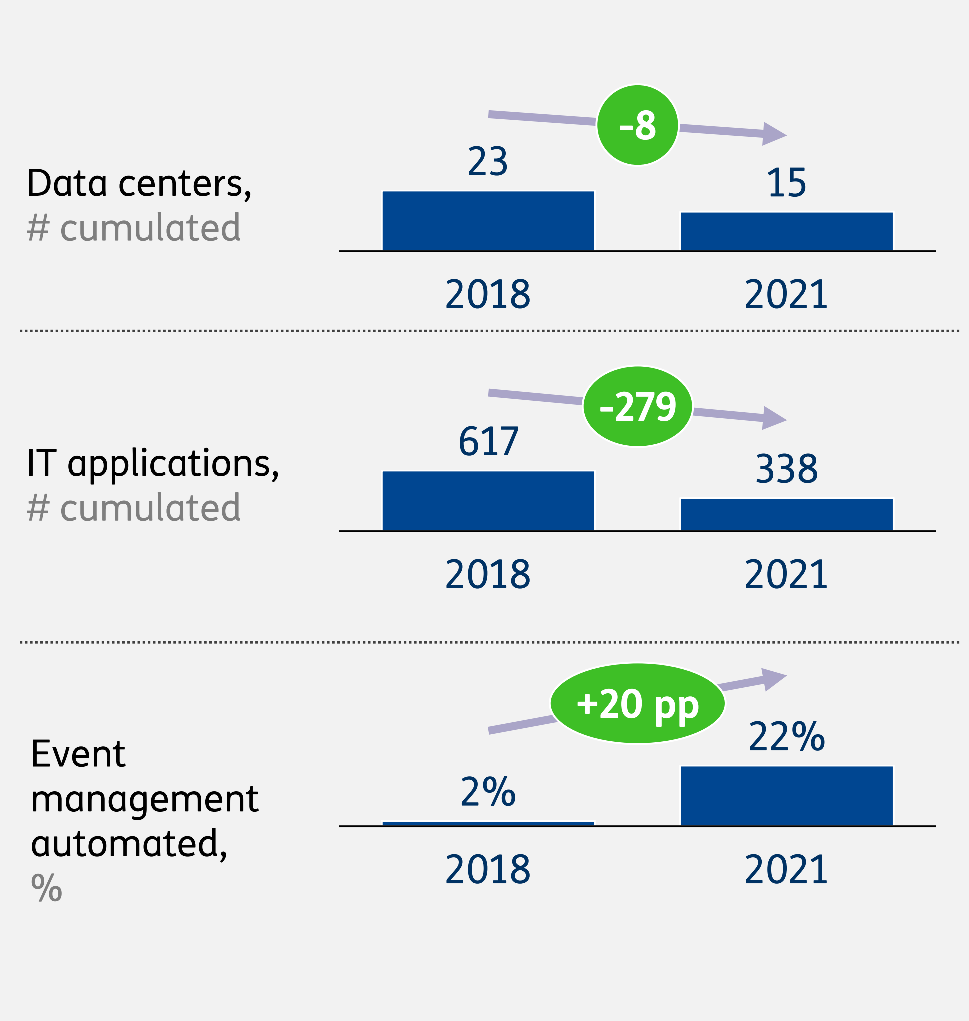
***Simplification* and decom-missioning to unlock savings**

- **Stop** investments on **legacy** platforms **as of 2019**
- **Decommissioning** of legacy platforms, equipment and applications as soon as possible
- **Consolidation** of ICT infrastructure and transformation into hybrid-cloud

***Intelligence* for long term opportunities**

- Shift from technical to **ROI-based coverage planning**
- **Expose data**, network capabilities and services to all LoB and selectively to 3rd parties
- Drive TIM-wide **Advanced Analytics** roadmap bringing 3-4 new use cases at scale per quarter

KPIs evolution



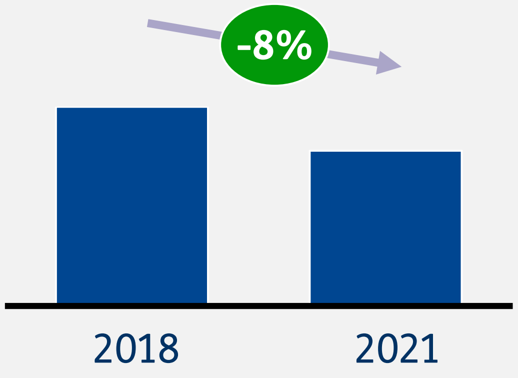
(1) Virtualized radio access network

Efficiency – Cost Base Resizing: Main Optimization Initiatives and Impacts

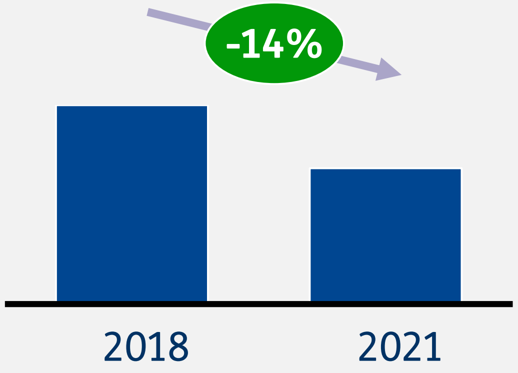
Addressable baseline	2018 € mln	Main initiatives
Commercial	1,511[2]	• **Sales channels optimization and partners consolidation** • Self caring (i.e. IVR[1], APP), back office **automation** and **artificial intelligence** • **Equipment vendor management optimization** • Improvement of **credit management** practices and processes
Industrial	1,009[3]	• **Processes redesign and automation** to improve on-field productivity • **Energy efficiency** (incl. decommissioning, network virtualization, co-generation)
G&A	523	• **Office space rationalization** and disposal of **non-strategic buildings** • **Facility management optimization**
Labour	2,537	• **Workforce** rightsizing (incl. de-layering, functions consolidation, etc.), leveraging on **early retirement** instruments
	5,126[4]	~60%[5] of total 2018 OPEX baseline (EUR 8,618 m)

Impact

OPEX view (IAS)



Cash view

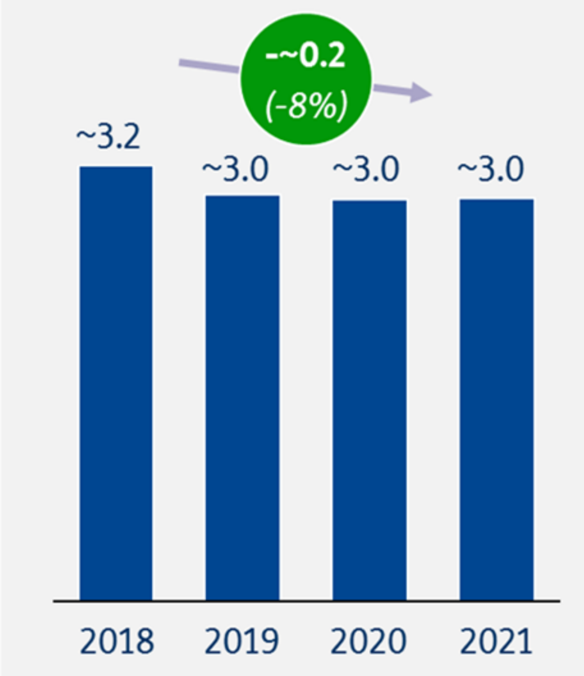


(1) Interactive Voice Response
(2) Excludes €432 m of COGS not addressable and includes capitalized costs (e.g. commissioning)
(3) includes capitalized costs (e.g. provisioning)
(4) Includes -€454 m of other costs (e.g. capitalized labour)
(5) Remaining ~40% includes: interconnection, equipment and COGS

ROIC-driven focused CAPEX Allocation

Baseline	2018, € mln	Main initiatives
Commercial	618	• **Customer equipment** (e.g., CPE) service and procurement **excellence**
Capacity	1,079	• **Sustain premium quality** positioning on Fixed and Mobile • **Consolidate buildings** and improve energy footprint • **Dismiss legacy and modernize** platforms increasing automation
Fixed	714	• **Complete FTTC** deployment • **Accelerate FTTH** coverage prioritizing areas with **higher take-up rate**
Mobile	381	• **Deploy 5G, improve 4G coverage** with a ROIC-driven approach • Progressively **adopt vRAN at scale**
IT & Other	442	• **Accelerate digital transformation** and processes improvement • **Complete OSS and BSS renovation** and **Data transformation** • **Consolidate Data Centers** infrastructure
	3,235	

Impact



TIM Brasil: Key Strategic Priorities for 2019-2021 Plan

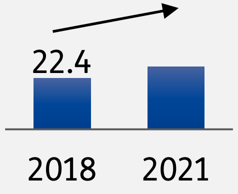
Areas	Key Strategic Priorities

Growth waves

Consumer

- Mobile **Pre Paid** – offer simplification to improve CEx while evolving digital channels
- Mobile **Post Paid** consumer (“the controle wave”)
  - Growth based on a "Mobile Challenger" approach **pushing migration and upselling**
  - Leverage of **4G coverage** leadership benefits and **loyalty initiatives**

ARPU Blended (R$)

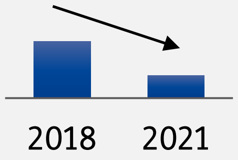


Mid to high single digit growth (CAGR)

Mobile B2B

- **Gain relevance** in overall Business revenues leveraging on:
  - Revision of value proposition and more convergent approach offering E2E solutions
  - Increase in **efficiency** and sales **productivity**

Churn (%)



Double digit decrease

Digital

- New revenues opportunity from being a **platform provider** (analytics, BD, mobile adv, …)
- Increased role in **IoT growing ecosystem** (beyond connectivity)
- **Content offer aggregation** to support mobile+fixed service revenue growth

Opportunity size by 2021

~1 bn Reais

>30 m lines

Infrastructure deployment

- **Fiber deployment acceleration** (backbone, backhaul and FTTH), with **FTTH offer in selected regions**
- Launch of **global deals for network access**, according to spectrum mix evolving towards **significant use of 4G vs. 2G and 3G by 2021**

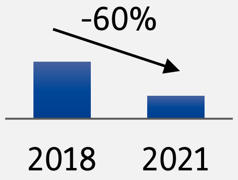
FTTCITY: 601 (2018) → **>1,500** (2021)

FTTH (m HH): 1.1 (2018) → **>4** (2021)

Efficiency Plan

- Successful **efficiency plan** still leveraging TIM results
- **Digital transformation** acceleration in customer facing activities and internal processes
- Continuous **margin improvement**, reaching more than 40% in 2020, due to rigid cost control (OPEX growth below inflation)

Human Interactions (%)



FY’18 Results and 2019-’21 Plan

Outlook – pre IFRS 9/15 and IFRS 16

YoY growth rates	Group		Domestic		Brasil	
	2019	2020-21	2019	2020-21	2019	2020-21
Organic Service revenues	Low single digit decrease	Low single digit growth	Low single digit decrease	Almost stable	+3% - +5% (YoY)	Mid single digit growth
Organic EBITDA	Low single digit decrease	Low single digit growth	Low to Mid single digit decrease	Low single digit growth	Mid to High single digit growth (YoY)	EBITDA margin ≥ 40% in 2020
Capex	--		~EUR 3 bn / Year		~R$ 12.5 bn cumulated	
Eq FCF	**Cumulated ~EUR 3.5 bn.** To be enhanced through inorganic actions presently not included		--		--	
Adjusted Net Debt	**~EUR 22 bn by 2021**		--		--	

- IFRS 9/15 impact over coming years roughly stable vs. 2018.
- IFRS 16 impact: Net Debt / EBITDA After Lease adoption implies no impact on leverage ratio based on preliminary analysis
- Figures @ avg. Exchange Rate actual 4.31 Reais/Euro

Q&A Session

Annex

TIM Group IFRS 9-15 impacts

As from January 1, 2018, IFRS 9 (Financial Instruments) and IFRS 15 (Revenues from Contracts with Customers) have to be applied. In order to allow comparison of the results for FY'18 with those for the previous year, financial statements data are also prepared under previous accounting principles

IFRS 9 impacts the **determination of expected losses on trade receivables** and other financial assets (change from the *incurred loss* model provided by IAS 39 to the *expected credit loss* model).

IFRS 15 impacts the **revenue recognition of fixed and mobile offerings as well as the recognition of relevant contractual costs**, without any impacts on cash flows.

	Revenues			Services Revenues			EBITDA		
	FY '18 old IFRS	Δ IFRS 15	FY '18 new IFRS	FY '18 old IFRS	Δ IFRS 15	FY '18 new IFRS	FY '18 old IFRS	Δ IFRS 9 - 15	FY '18 new IFRS
TIM Group	19.109	(169)	18.940	17.561	(182)	17.379	7.713	(310)	7.403
Domestic	15.185	(154)	15.031	13.834	(183)	13.650	6.221	(266)	5.955
Brazil	3.959	(16)	3.943	3.763	0	3.763	1.511	(44)	1.467

TIM Brasil - Outlook

GOALS	DRIVERS	SHORT TERM TARGETS (2019)	LONG TERM TARGETS
Revenue Growth Sustainability	• Further improve mobile ARPU • Expand Residential BB Revenues contribution • Tap B2B opportunity	Service Revenues Growth: **3% – 5% (YoY)**	Service Revenues Growth: **Mid single digit (CAGR '18-'21)**
Improve Profitability	• Accelerate digitalization efficiencies • Maintain zero-based approach and traditional initiatives • Improve risk management models	EBITDA Growth: **Mid to High single digit growth (YoY)**	EBITDA Margin: **≥40% in 2020**
Infrastructure Development	• Additional Capex to grow fiber and improve mobile capacity	Capex on Revenues: **Low 20's**	Capex: **~R$ 12,5 bln (cumulated '19-'21)**
Expand Cash Generation	• Increase cash flow from operations • Continue with debt and tax rate optimization	EBITDA-Capex on Revenues: **>15%**	EBITDA-Capex on Revenues: **≥20% in 2021**

2018 Domestic EBITDA performance net of non-linear items

Organic Data

mln€

	FY'17	FY'18	Δ	Δ YoY	4Q17	4Q18	Δ	Δ YoY
Domestic EBITDA organic	**7,050**	**6,629**	**(421)**	**-6.0%**	**1,778**	**1,544**	**(234)**	**-13.2%**
Non-linear items	-216	-21	195		-71	34	105	
Liability reversal (one-off)	-112		112		-45		45	
Vendor Rebates	-104	-21	83		-26		26	
Accounting adjustment						34	34	
Domestic EBITDA net of non-linear items	**6,834**	**6,608**	**(226)**	**-3.3%**	**1,707**	**1,578**	**(129)**	**-7.6%**
Group EBITDA organic	**8,404**	**8,121**	**(283)**	**-3.4%**	**2,179**	**1,963**	**(216)**	**-9.9%**
Group EBITDA net of non-linear items	**8,188**	**8,100**	**(88)**	**-1.1%**	**2,108**	**1,997**	**(111)**	**-5.3%**

EBITDA-CAPEX (ex licenses) growing, but Equity Free Cash Flow affected by ΔNWC

mln €	TIM Group 2017	TIM Group 2018
EBITDA	7.790	7.713
CAPEX	(5.701)	(6.558)
Licences	*(630)*	*(2.399)*
EBITDA - CAPEX ex licenses	**2.719**	**3.554**
EBITDA - CAPEX	**2.089**	**1.155**
Δ WORKING CAPITAL	**407**	**922**
NET OPERATING FCF	**2.496**	**2.077**
Add back Licences Domestic	630	477
Add back Brazil Spectrum Clean-up installments	257	36
NET OPERATING FCF ex licenses	**3.383**	**2.590**
Financial Expenses	(1.572)	(1.302)
Cash Taxes	(1.113)	(739)
Other impacts (FX)	266	29
Eq FCF	**964**	**578**

- ΔNWC inflow thanks to licence payment over 5 years and EUR 408m non cash one offs items (mainly restructuring costs)
- Group Recurring Operating ΔNWC absorbing EUR 1,372m
- Lower capex
- Absorption in domestic due to personnel exit (Fornero Law), VAT split payment, billing and deferred costs

Δ WC		licenses		license payments		non recurring	
922	–	(2,399	–	513)	-	408	=

-964

Recurring Operating ΔWorking Capital (Group)

2018	2019	2020	2021
-1,372			

NWC absorption net of contribution from licence deferred payment

Focus on Domestic

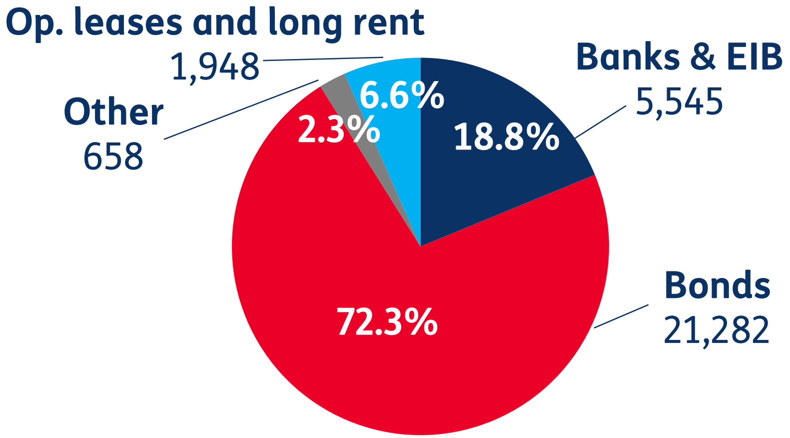
mln €	2017	2018
Operating WC & Other	**573**	**946**
5G License		(2.399)
5G License paid in the year		477
Non recurring items (not paid)	(883)	(408)
Recurring Operating WC	**(310)**	**(1.384)**
Inventory	**(41)**	**(90)**
Trade Receivables	**138**	**(74)**
Trade Payables	**56**	**(160)**
Other Operating Payables/Receivables & Funds	**(463)**	**(1.061)**
- o/w Litigations & Settlements	(95)	-
- o/w Payables vs. Personnel	-	(71)
- o/w Personnel Exit (Fornero Law)	(166)	(267)
- o/w VAT split payment	-	(373)
- o/w Litigations & Settlements	-	-
- o/w Billing (1)	-	(114)
- o/w Deferred Costs & Revenues	(346)	(194)

Improvement expected over time as some one off items will not be repeated (e.g. billing, VAT split payment) and action has been taken

(1) *From billing in advance to billing in arrears*

Well diversified and hedged debt

€mln



Gross debt	**29,432**
Financial Assets	**(4,162)**
of which C&CE and marketable securities	**(3,043)**
- C & CE	(1,917)
- Marketable securities	(1,126)
- Government Securities	(558)
- Other	(568)
Net financial position	**25,270**

Maturities and Risk Management

Average m/l term maturity:
7.62 years (bond 7.75 years only)

Fixed rate portion on gross debt approximately **71%**

Around **33% of outstanding bonds** (nominal amount) denominated in **USD and GBP and fully hedged**

Cost of debt: ~4.4 %

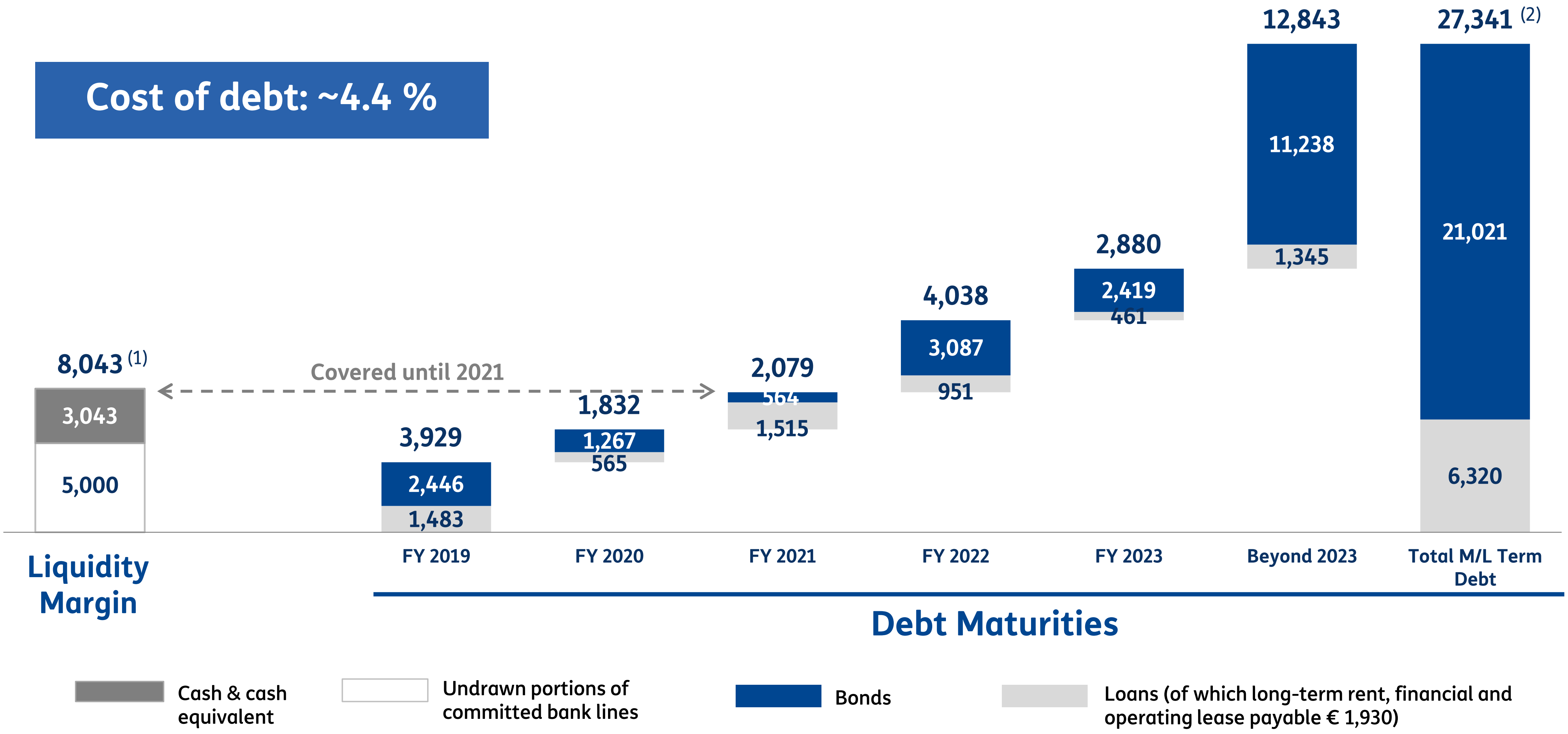
N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:
- the impact on Gross Financial Debt is equal to € 1,540 mln (of which € 215 mln on bonds);
- the impact on Financial Assets is equal to € 815 mln.

Therefore, the Net Financial Indebtedness is adjusted by € 725 mln

N.B. The difference between total financial assets (€ 4,162 mln) and C&CE and marketable securities (€ 3,043 mln) is equal to € 1,119 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 935 mln, financial receivables for lease for € 125 mln, deposits beyond 3 months for € 0 mln and other credits for € 59 mln.

Liquidity margin

€mln



(1) Includes € 545 mln repurchase agreements that will expire in January 2019 for € 450 mln and in March 2019 for the remaining amount
(2) € 27,341 mln is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 781 mln) and current financial liabilities (€ 1,310 mln), the gross debt figure of € 29,432 mln is reached

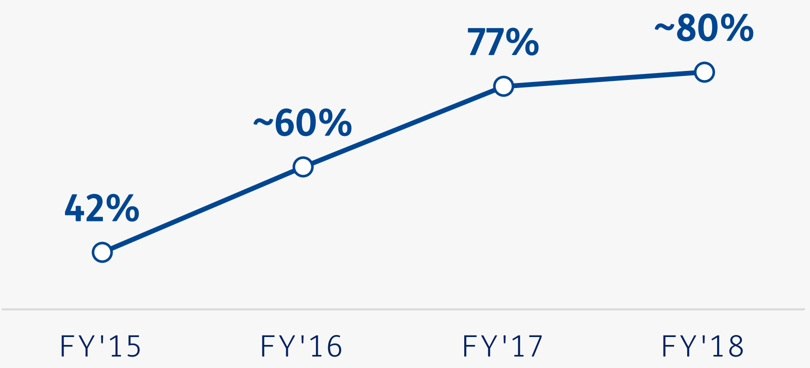
Sparkle: Multiple Strategic Options for Transformation and Growth

Our Vision	Key Strategic Priorities	Main KPIs
New Infrastructure to Expand Footprint	• Scale up Sparkle infrastructure presence and Italian role in the Mediterranean and Africa/Middle East: – Leverage on huge volumes from Asia/ Sub Saharan to Europe – New markets (KSA/ Gulf Region) • Investing in two significant projects: Mediterranean Cable (Blue: Sicily-East Med)/ Red Sea cable (Red: Aqaba-Djibouti)	• Total Capex: EUR 211 m • ~6,000 km submarine cable • Up to 120/ 160 Terabit upload • Ready for service in 2021 • Payback @2028 (12% IRR)
Growth in Enterprise Networking & Cloud	• Capture the opportunities of cloud/ SD-WAN technologies – Customer experience-focused platform – New PoPs – Sales channel expansion • Expand current South Europe DC facilities and create new DC hub in Caribbean • Evaluate partnerships to accelerate growth	• >2x Connectivity, DC and Cloud revenues • ~10x # of customers • ~3x PoPs
Efficiency in Voice, Develop Mobile Opportunities	• Automate Voice process – Clearing and settlements through block-chain based applications • Progressively expand the high-growth A2P message market – LatAm & Africa/MENA as target geographies • Global Roaming through the eSIM technology	• ~3x Mobile revenues growth

Ultra Broadband network

Fixed UBB

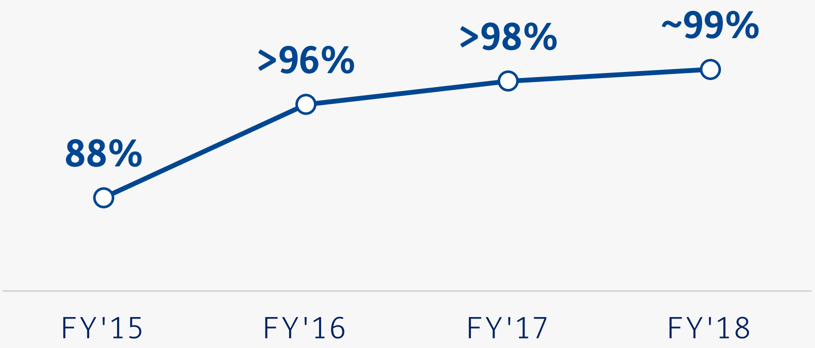
% FTTC passed



- **~19.4 mln HH passed FTTC**
- **~113,5 k cabinets passed**
- **~429 k FTTH OTB installed**
- **2,676 cities** with commercial active service, o/w:
  - **2,558 cities FTTC**
  - **118 cities FTTH/FTTC**

Mobile UBB

% LTE passed



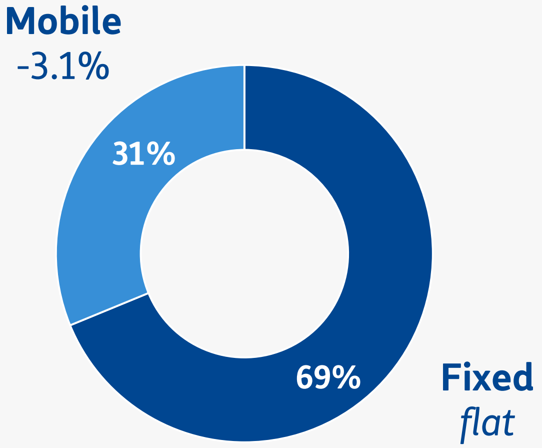
- **>22,6k LTE nodes**
- **7,401 LTE cities** with commercial active service, o/w:
  - **1,635 with 4Gplus**
  - **12 cities with 4.5G**

Organic data[1], €mln, % YoY

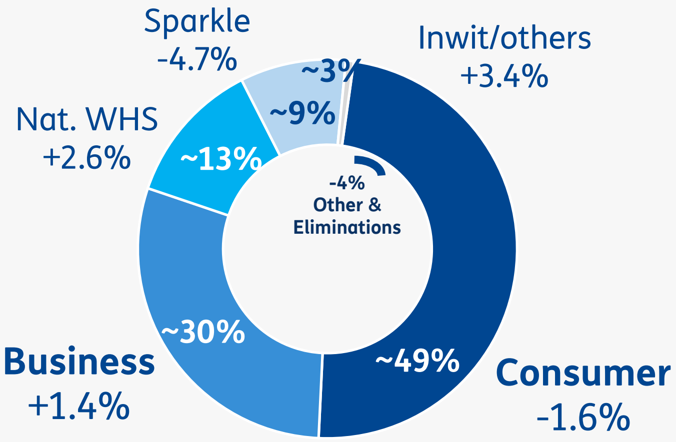
FY'18 service revenues: Brazil, domestic wholesale and business, INWIT grew yoy

Domestic

By Technology

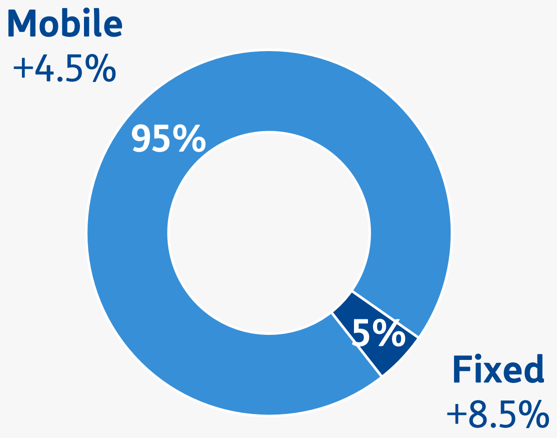


By Business Segment



Brazil

By Technology



- **Mobile**: service revenues resilient until 3Q and slowing in 4Q due to Consumer ARPU decrease and price competition from other players and the new entrant. Competitive intensity peaked in 3Q, more rationality since YE 2018
- **Fixed**: retail service revenues up +1.3% for re-pricing activities and ARPU increase.

- **Business:** positive contribution from ICT, cloud offsetting the competitive dynamics of traditional services
- **Consumer**: growth in fixed offset by mobile
- **National Wholesale**: fiber services growth (VULA) offset copper decrease
- **Sparkle**: revenue mix shifting towards higher margin services, from voice to data
- **Inwit**: revenue increase driven by volumes for higher tenancy ratio (1.9x vs. 1.8x) and +1.4k new small cells

- **Mobile**: MSR increased 3.5% YoY in 4Q and +4.5% in 2018, following customer mix evolution towards higher ARPU customers (post-paid and controle)
- **Fixed**: revenue growth supported by TIM Live Revenues up +39.4% in 2018

(1) *Excluding exchange rate impact and non-recurring items*

For further questions please contact the IR Team

Investor Relations Contact Details

Phone	E-mail	Contact details for all IR representatives:
+39 06 3688 1 +39 02 8595 1	Investor_relations@telecomitalia.it	www.telecomitalia.com/ircontacts

IR Webpage	TIM Twitter	TIM Slideshare
www.telecomitalia.com/investors	www.twitter.com/TIMNewsroom	www.slideshare.net/telecomitaliacorporate