

Since 2019, the TIM Group has applied the IFRS 16 (Leases) accounting standard and since 2018 it has applied IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments). To allow comparability of the results for the FY and fourth quarter with the corresponding periods of the previous financial year, the "comparable" data prepared on the basis of consistent accounting standards are also presented in the press release.

TIM: BOARD OF DIRECTORS APPROVES THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

Organic results based on the IFRS 9 and 15 accounting standards, pre-IFRS 16:

GROUP NET PROFITS OF 1.3 BILLION EUROS

CASH GENERATION OF 1.7 BILLION EUROS (+198 vs. 578 MILLION IN 2018)

NET FINANCIAL DEBT DOWN BY 1.4 BILLION EUROS SINCE THE START OF THE YEAR AND BY 473 MILLION EUROS IN THE 4TH QUARTER

PROPOSAL TO PAY A DIVIDEND AMOUNTING TO 1 EURO CENT FOR ORDINARY SHARES AND 2.75 EURO CENTS FOR SAVINGS SHARES

- ▶ **Operating free cash flow: 3.1 billion euros, improving by 1 billion euros YoY**
- ▶ **Equity free cash flow: 1.7 billion euros (578 million euros in 2018)**
- ▶ **Net Financial Debt: 23.8 billion euros, down by more than 1.4 billion euros compared to end-2018 and by around 0.5 billion euros on Q3**
- ▶ **Net Financial Debt - After Lease 21.9 billion euros**
- ▶ **Revenues: 18 billion euros (-2.6% YoY excluding Sparkle and product revenues)**
- ▶ **Reported EBITDA: 7.5 billion euros, +1.2% YoY**
- ▶ **EBITDA AL (After Lease): 7.2 billion euros, -2.2% YoY**
- ▶ **Reported EBITDA – CAPEX: 3.7 billion euros (3.4 billion euros in 2018 excluding licences)**
- ▶ **Integration of the mobile passive network infrastructure of Inwit and Vodafone Italia and active sharing goes ahead after approval by the EU competition authority**
- ▶ **KKR Infrastructure fund is reserved a period of exclusivity as financial partner for the deployment of the fibre network in Italy following the presentation of a non-binding offer to acquire approx. 40% of TIM's fibre/copper secondary network and in view of the advocated integration with Open Fiber**

- **Final agreements on the strategic initiatives launched in 2019 signed with Google Cloud and Santander Consumer Bank**
- **Exclusive agreement signed for the distribution of Disney+ in Italy, positioning TIM Vision as reference operator in premium content aggregation in Italy**

The economic and financial results of the TIM Group and TIM S.p.A. for the 2019 financial year and the previous year's results, to which they are compared, have been prepared according to the IFRS accounting standards issued by the International Accounting Standards Board and homologated by the European Union (defined as "IFRS"). In the 2019 financial year, TIM applied the same accounting standards as in the previous financial year, with the exception of the adoption of IFRS 16 (Leases) applied from 1 January 2019 with the simplified retrospective method (i.e. without any restatement of the comparative data for previous years), the effects of which are illustrated in the "Adoption of the new IFRS 16 standard (Leases)" chapter to which the reader can refer for further details. Note that, as of 1 January 2018, the TIM Group has adopted IFRS 15 (Revenues from Contracts with Customers) and IFRS 9 (Financial instruments).

In order to allow comparability of the economic and financial results for the 2019 financial year with the previous financial year, this press release also shows the economic data and the main asset balances for 2019 prepared in "comparable" terms, using the previous IAS 17 (Leases) accounting standard and the related Interpretations (IFRIC 4, SIC 15 and SIC 27), for the purpose of distinguishing between operating and finance leasing and the resulting recording of leasing contracts.

In order to allow a better understanding of the operations and financial position, in addition to the conventional financial indicators envisaged by the IFRS, the TIM Group uses some alternative performance indicators. Specifically, the alternative performance indicators are: EBITDA; EBIT; organic variation and impact of non-recurring items on revenues, on EBITDA and on EBIT; EBITDA margin and EBIT margin; net financial debt carrying amount and adjusted net financial debt. Furthermore, following the adoption of IFRS 16, the TIM Group presents 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 connected to the accounting treatment of finance leasing contracts according to IAS 17 (applied until the end of 2018) and according to IFRS 16 (applied from 2019 onwards);*
- *Adjusted net financial debt After Lease, calculated by excluding liabilities connected to the accounting treatment of finance leasing contracts according to IAS 17 (applied until the end of 2018) and according to IFRS 16 (applied from 2019 onwards) from the adjusted net financial debt.*

The meaning and content of the alternative performance indicators are explained in the annexes.

Finally, it should be noted that the audit of the TIM consolidated and separate Financial Statements at 31 December 2019 has not yet been completed.

MAIN CHANGES TO THE TIM GROUP CONSOLIDATION SCOPE

The main changes to the consolidation scope that took place in the 2019 financial year were the following:

- Persidera S.p.A. (Domestic Business Unit): sold, after being split into two distinct entities, on 2 December 2019.

Also note that:

- (1) Infrastrutture Wireless Italiane S.p.A. (Inwit) (Business Unit Domestic): on 19 December 2019, the Shareholders' Meeting approved the merger by incorporation of Vodafone Towers S.r.l. into Inwit. This transaction, carried out in preparation for the birth of the first Italian Tower Operator, involves the sale by the TIM Group of its controlling share in Inwit. Therefore, as of 31 December 2019, given the high likelihood of the transaction being completed within the 2020 financial year, Inwit is presented as an "Asset held for sale". Therefore, the company's assets and liabilities have been reclassified in the "Discontinued

operations/Non-current assets held for sale” and “Liabilities directly related to Discontinued operations/Non-current assets held for sale” items of the consolidated statement of financial position as of 31 December 2019. The consolidated economic data and financial flows for 2019 include Inwit S.p.A. data for the whole year.

(2) Noverca S.r.l. (Domestic Business Unit): merged with TIM S.p.A. on 1 November 2019 with accounting and tax effects backdated to 1 January 2019;

There were no significant changes to the consolidation scope in the 2018 financial year.

Rome, 10 March 2020

TIM's Board of Directors, which met today chaired by Salvatore Rossi, approved the consolidated Financial Statements of the TIM Group, the draft separate Financial Statements of TIM S.p.A. and the Non-Financial Statement/Sustainability Report at 31 December 2019.

The acceleration driven by management to achieve the plan objectives was also confirmed in the last quarter of the year, especially that regarding debt, six months earlier than envisaged in the plan presented to the financial community last year.

The **operating free cash flow** reached **3.1 billion euros**, recording an improvement of 1 billion euros on 2018 thanks to the ongoing cost reduction and optimised management of the working capital. The **equity free cash flow** reached **1.7 billion euros**, with an increase of over 1.1 billion euros YoY.

Consequently, **comparable net financial debt** at 31 December has dropped by 1.4 billion euros since the end of 2018 and by 473 million euros with respect to 30 September 2019, reaching **23,8 billion euros**.

As regards the **development of strategic initiatives**:

- **Network-sharing partnership with INWIT and Vodafone Italia:** following the green light from the European competition authority, the new INWIT will be created and the plans for sharing the mobile passive network infrastructure with Vodafone will be implemented, bringing benefits in terms of lower invested capital and shorter development times for the 5G network.
- **Fibre network:** KKR Infrastructure fund is reserved a period of exclusivity as financial partner for the deployment of the fibre network in Italy following the presentation of a non-binding offer to acquire approx. 40% of TIM's fibre/copper secondary network and in view of the advocated integration with Open Fiber.
- **Cloud services partnership:** final agreements have been signed with Google Cloud, giving the go-ahead for a technical collaboration to create cloud services and enrich the offer of TIM's technological services, which will lead to the development of a business worth around one billion euros in revenues and 400 million of EBITDA by 2024.
- **Exclusive agreement with Disney:** the large global content industry player has chosen **TIM Vision** for the exclusive distribution of Disney+ in Italy, confirming TIM Vision as reference operator in premium content aggregation in Italy, a position it achieved in just one year.

In 2019, the Group's **revenues from services**, net of the contribution of Telecom Italia Sparkle (International Wholesale), amounted to **15.6 billion euros** (-2.6% YoY in organic terms), while total revenues reached 18.0 billion euros (-4.9% YoY in organic terms).

The Group's **comparable EBITDA** was **7.5 billion euros**, with a 1.2% increase YoY, thanks to ongoing cost optimisation and a positive balance of non-recurring items which benefited by 685 million euros from the favourable outcome for TIM Brasil of double taxation disputes, partly offset by 756 million euros in provisions relating to the voluntary redundancy of personnel in addition to penalty risks.

Reported EBITDA – CAPEX reached **3.7 billion euros**, benefiting from action to continuously improve the terms and conditions of spending and coverage levels achieved by the fixed and mobile networks.

Net result attributable to the Shareholders of the Parent Company stood at **1 billion euros** (negative by 1.4 billion euros in 2018).

For the first time since FY 2013, the Board of Directors approved a proposal to pay a dividend of 1 euro cent per ordinary share. The dividend proposed for savings shares remains unchanged at 2.75 euro cents.

Performance in 4Q 2019

Revenues from services stood at **4 billion euros**, down by 261 million euros in organic terms on the fourth quarter of 2018 (-6.1% YoY), impacted by the reduction in contracts for International Wholesale services with low or no margins since the start of the year. Net of this latter effect, the performance of revenues from services, with respect to the previous year, stood at -3.8% YoY at Group level and -5.9% for Domestic.

The Group's **total revenues** in the fourth quarter amounted to 4.6 billion euros (-6.6% YoY on an organic basis).

In Italy, in this quarter too, **mobile** confirmed the trend of weaker Mobile Number Portability dynamics of the market, evidence of greater rationality in the upper tier of the market, while the market segment most sensitive to price remained highly competitive. The total number of TIM mobile lines stood at 31 million at the end of December, slightly down on the previous quarter and with a lower churn rate than the fourth quarter of last year (5.5% with respect to 6.2% in the fourth quarter of 2018). The policy to reduce the volume of mobile devices sold (94 million euros in the fourth quarter, -30% YoY) with no or negative margins led to the expected significant benefits in terms of EBITDA.

In the **fixed** sector, growth in the broadband lines was confirmed (+60,000) as was the continued migration of the customer base to ultrabroadband (93,000 net increases in the fourth quarter, with respect to 68,000 in the third quarter).

Also in the fourth quarter, fixed telephony prices were not increased. The Retail and Wholesale **fibre lines** reached **7.0 million** units, up by 27% YoY and 5% on the previous quarter. In the business segment the growth in ICT revenues continued (+13.7% YoY), confirming and further consolidating TIM's leadership in the ICT segment in terms of both its offer and market presence.

In **Domestic Wholesale**, the service revenues benefited from the continuous migration of customers from copper to fibre, balancing the churn of copper-only customers.

In Brazil, TIM increased its revenues from services by 3.2% YoY (+3.0% YoY in the third quarter) through commercial policies put in place in the mobile segment and despite the adverse macro-economic and market dynamics, confirming the guidance.

The Group's **After Lease EBITDA** stood at **1.8 billion euros** (-1.0% YoY on an organic basis).

The Group's **organic EBITDA** (IFRS 9/15) stood at **1.9 billion euros (-1.6%)**, with a margin on revenues of 40.7% (+2.1 pp YoY) thanks to cost containment actions. The EBITDA of the Domestic Business Unit came to 1.4 billion euros (-4.7% YoY) while the EBITDA of TIM Brasil was up by 8.3% YoY (+6.8% YoY in the third quarter).

At Group level, investments in the fourth quarter amounted to 1.5 billion euros (-1.8% YoY), 1.2 billion euros of which in Italy (-1.5% YoY).

The results of the 2019 financial year and the 2020-2022 Plan will be presented to the financial community during the Capital Market Day, to be held via webcast and audio conference on 11 March 2020. The event will be conducted by the Chief Executive Officer Luigi Gubitosi and top management and will start at 2:00 p.m. (Italian time). The presentation will be followed by a Q&A session. Journalists may listen in to the presentation via phone and online, without asking questions, by calling +39.06.33444

The presentation slides will be available at <https://www.telecomitalia.com/tit/en/investors/report-presentazioni/presentazioni/2020/CMD-FY2019-plan.html>

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TIM GROUP RESULTS FOR THE 2019 FINANCIAL YEAR

TIM Group **total revenues** in the 2019 financial year were **17,974 million euros**.

Comparable revenues - recognised on the basis of accounting standards consistent with those adopted in 2018 - amounted to 17,977 million euros, down by 5.1% compared to 2018 (18,940 million euros); the organic change in total revenues is -4.9%.

Revenues from TIM Group services, excluding the contribution from the Telecom Italia Sparkle group, which is in the process of repositioning its business and exiting from low margin voice contracts, amounted to **15,608 million euros**, in organic terms, down 2.6%, compared to 2018 (16,021 million euros).

In 2019, Telecom Italia Sparkle underwent a market repositioning which by the end of the year allowed it to achieve a gradual and significant integration of the Sparkle group's business with that of Core Domestic. This integration is connected to the Sparkle group's transformation process, aimed at innovating the traditional business by focusing on more innovative business in order to meet the challenges of the new Gigabit Society. Therefore, starting from the end of 2019, the distinction between Core Domestic and International Wholesale has been removed and only information relating to the Domestic Business Unit will be provided.

TIM Group's total revenues for the fourth quarter of 2019 amounted to 4,551 million euros; comparable revenues amounted to 4,554 million euros, down by 320 million euros in organic terms (- 6.6%); revenues from TIM Group services, excluding the contribution from the Telecom Italia Sparkle group, amounted to 3,834 million euros in organic terms, down by 3.8% compared to the fourth quarter of 2018.

The analysis of total revenues for 2019, broken down by operating sector, compared to the financial year 2018, is as follows:

(million euros)	2019 comparable		2018		Changes		
	% of total		% of total		absolute	%	organic % excluding non-recurrent
Domestic	14,081	78.3	15,031	79.4	(950)	(6.3)	(6.7)
Brazil	3,937	21.9	3,943	20.8	(6)	(0.2)	2.3
Other Activities	-	-	-	-	-	-	-
Adjustments and eliminations	(41)	(0.2)	(34)	(0.2)	(7)	-	-
Consolidated Total	17,977	100.0	18,940	100.0	(963)	(5.1)	(4.9)

The organic change in the Group's consolidated revenues for the 2019 financial year was calculated by excluding the negative effect of changes in the rates of exchange ⁽¹⁾ amounting to -81 million euros, non-recurring charges of 15 million euros (non-recurring charges of 62 million euros in 2018) related to adjustments to revenues from previous years and the effect of the change in the consolidation scope resulting from the sale of Persidera SpA of -6 million euros.

⁽¹⁾ The average rates of exchange used for the conversion into euros (expressed in terms of local currency units per 1 euro) are 4.41422 in the 2019 financial year and 4.30628 in the 2018 financial year for the Brazilian Real and 1.11954 in the 2019 financial year and 1.18121 in the 2018 financial year for the US Dollar. The impact of the change in the rates of exchange is calculated by applying the conversion rates of the foreign currencies used for the current period to the comparison period.

Reported EBITDA for the 2019 financial year amounted to **8,151 million euros**, benefiting in the amount of 662 million euros from the application of IFRS 16, following which, with reference to the leasing contracts covered by the standard, the related lease payments are no longer recorded among the costs for the purchase of goods and services but a liability of a financial nature must be posted to the statement of financial position, represented by the present value of future lease payments, recording under assets the right to use the leased asset, amortised over the likely contractual term, and posting the financial charges component to the income statement.

The **comparable EBITDA** for the 2019 financial year – prepared on the basis of accounting standards consistent with those adopted in 2018 – amounted to **7,489 million euros** (7,403 million euros in the 2018 financial year; +1.2%), accounting for 41.7% of revenues (39.1% in the 2018 financial year; +2.6 percentage points).

The details of the comparable EBITDA, using the same accounting standards, broken down by operational sector for the 2019 financial year, compared with the 2018 financial year, and the percentage incidence of the margin on revenues, are as follows:

(million euros)	2019 comparable		2018		Changes		
	% of total		% of total		absolute	%	organic % excluding non-recurrent
Domestic	5,345	71.4	5,955	80.4	(610)	(10.2)	(5.0)
Margin (%)	38.0		39.6			(1.6) pp	0.8 pp
Brazil	2,153	28.7	1,467	19.8	686	46.8	6.8
Margin (%)	54.7		37.2			17.5 pp	1.6 pp
Other Activities	(10)	(0.1)	(19)	(0.2)	9		
Adjustments and eliminations	1	–	–		1		
Consolidated Total	7,489	100.0	7,403	100.0	86	1.2	(2.8)
Margin (%)	41.7		39.1			2.6 pp	0.9 pp

Organic EBITDA net of the non-recurring component stood at **7,560 million euros** accounting for 42.0% of revenues (7,774 million euros in the 2018 financial year, accounting for 41.1% of revenues).

Organic EBITDA, net of the non-recurring component, was calculated as follows:

(million euros)	2019 comparable	2018	Changes	
			absolute	%
EBITDA	7,489	7,403	86	1.2
Foreign currency translation		(34)	34	
Changes in the consolidation scope		(3)	3	
Non-recurring charges /(income)	71	408	(337)	
ORGANIC EBITDA excluding non-recurring component	7,560	7,774	(214)	(2.8)

In detail, in the 2019 financial year the TIM Group recorded non-recurring net charges of 71 million euros (net charges of 408 million euros in the 2018 financial year), as a balance between:

- other income of 706 million euros, including 685 million euros recorded among tax credits by the Brazil Business Unit as a result of the favourable outcome of disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution (407 million euros relating to the recovery of tax and 278 million euros for legal revaluation) and 21 million euros recorded by the Domestic Business Unit as a credit for the reimbursement of the sanction relating to Antitrust proceeding I761, following the related judgement issued by the Council of State in December 2019;

- charges of 777 million euros mainly related to charges resulting from disputes of a regulatory nature and contingent liabilities related to them, liabilities towards customers and/or suppliers, corporate restructuring processes, as well as the aforementioned adjustments to revenues from previous years.

In detail:

(million euros)	2019	2018
Non-recurring charges /(income)		
Revenues		
Adjustments to revenues from previous years	15	62
Other income		
Effect of recovery of tax by Brazil BU and recovery of operating costs by the Domestic BU	(706)	(37)
Acquisition of goods and services and Change in inventories		
Charges connected to agreements and to the development of one-off projects	21	15
Employee benefits expenses		
Charges connected to corporate reorganisation/restructuring and other processes	282	233
Other charges and provisions		
Charges resulting from disputes, fines of a regulatory nature, and contingent liabilities related to these charges, charges connected to disputes with former employees and amounts owed to customers and/or suppliers	459	135
Impact on EBITDA	71	408
Sale of Persidera S.p.A. (Domestic BU)	18	
Core Domestic and International Wholesale goodwill impairment loss		2,590
Impact on EBIT	89	2,998

EBITDA for the fourth quarter of 2019 totalled 1,652 million euros. Comparable EBITDA stood at 1,481 million euros (1,625 million euros in the fourth quarter of 2018, -1.6% in organic terms).

In comparable terms, in the 2019 financial year, **depreciation and amortization and capital losses from the sale of non-current assets** amounted to 4,431 million euros (4,256 million euros in the 2018 financial year). Also note that the 2018 financial year suffered a **goodwill impairment loss** of 2,590 million euros attributed to Core Domestic (2,450 million euros) and International Wholesale (140 million euros).

Reported EBIT in the 2019 financial year totalled **3,175 million euros**.

Comparable EBIT for the 2019 financial year, net of the impact of IFRS 16 of 117 million euros, was 3,058 million euros (561 million euros in 2018), up by 2,497 million euros on the 2018 financial year, accounting for 17.0% of revenues (3.0% in 2018). Note that the EBIT for the 2018 financial year suffered both the aforesaid goodwill impairment loss and the negative impact of non-recurring charges related to the EBITDA (408 million euros).

Organic EBIT, net of the non-recurring component, stood at **3,147 million euros** (3,544 million euros in the 2018 financial year), accounting for 17.5% of revenues (18.7% in 2018).

Organic EBIT, net of the non-recurring component, was calculated as follows:

(million euros)	2019 comparable	2018	Changes	
			absolute	%
EBIT	3,058	561	2,497	-
Foreign currency translation		(14)	14	
Changes in the consolidation scope		(1)	1	

Non-recurring charges /(income)	89	2,998	(2,909)	
ORGANIC EBIT excluding non-recurring component	3,147	3,544	(397)	(11.2)

The **reported net result** for the 2019 financial year attributable to the Shareholders of the Parent Company was positive and stood at **916 million euros** (negative by 1,411 million euros in 2018).

In comparable terms, excluding the impacts of non-recurring events and the effects of the application of IFRS 16, the Net Result attributable to the Shareholders of the Parent Company for the 2019 financial year would be approximately 1.2 billion euros (approximately 1.4 billion euros in 2018).

The TIM Group **headcount** as of 31 December 2019 was **55,198**, including 45,266 in Italy (57,901 as of 31 December 2018, including 48,005 in Italy) down by 2,703, including -2,739 in Italy.

Capital expenditure, totalling **3,784 million euros**, may be broken down by operating sector as follows:

(million euros)	2019 comparable		2018		Changes
		% of total		% of total	
Domestic	2,912	77.0	5,518	86.1	(2,606)
Brazil	872	23.0	890	13.9	(18)
Other Activities	-	-	-	-	-
Adjustments and eliminations	-	-	-	-	-
Consolidated Total	3,784	100.0	6,408	100.0	(2,624)
<i>Margin (%)</i>	<i>21.1</i>		<i>33.8</i>		<i>(12.7) pp</i>

Specifically:

- the **Domestic Business Unit** posted investments of 2,912 million euros (5,518 million euros in 2018). In organic terms and net of the acquisition in 2018 of the rights of use for 5G frequencies in Italy (2,399 million euros) there was a reduction of 206 million euros compared to the previous year thanks to the continuous improvements achieved in the terms and conditions applied to expenditure as well as the effect on the fixed and mobile access components of the coverage levels already achieved;
- in 2019, the **Brazil Business Unit** posted capital expenditure of 872 million euros, down by 18 million euros on 2018 (890 million euros). Excluding the impact of changes in the rates of exchange (-22 million euros), capital expenditure grew by 4 million euros, and was directed primarily at strengthening the mobile Ultra BroadBand network infrastructure and developing TIM Live's fixed BroadBand business..

Comparable Group Operating Free Cash Flow was positive by 3,096 million euros (2,077 million euros in 2018, +1,019 million euros).

The **Comparable Adjusted Net Financial Debt** fell by **1,431 million euros compared to the end of 2018**, standing at 23,839 million euros (25,270 million euros as of 31 December 2018) and by 892 million euros compared with 30 June 2019 (24,731 million euros). The solid generation of operating cash, achieved as a result of ongoing cost reductions and the optimization of working capital, allowed a strong debt reduction to be achieved.

For ease of understanding, particularly following application of the new IFRS 16 standard, the following table shows the various ways of representing the Net Financial Debt (with regard to the data as of 01.01.2019 the values resulting from adoption of the IFRS 16 standard have been implemented in the accounting data as of 31.12.2018):

(million euros)	31.12.2019	1.1.2019	Changes
	(a)	(b)	(a-b)

Net financial debt carrying amount	28,246	29,548	(1,302)
<i>Reversal of fair value measurement of derivatives and associated financial liabilities/assets</i>	<i>(578)</i>	<i>(725)</i>	<i>147</i>
Reported adjusted net financial debt	27,668	28,823	(1,155)
<i>Net impact of the application of IFRS16 - Leases</i>	<i>(3,258)</i>	<i>(3,553)</i>	<i>295</i>
<i>Net impact of the application of IFRS16 - Leases Discontinued operations/Non-current assets held for sale</i>	<i>(571)</i>	<i>–</i>	<i>(571)</i>
Comparable adjusted net financial debt	23,839	25,270	(1,431)
<i>Finance lease liabilities as per IAS17</i>	<i>(1,946)</i>	<i>(1,948)</i>	<i>2</i>
Adjusted Net Financial Debt - After Lease	21,893	23,322	(1,429)

Net Financial Debt Carrying Amount as of 31 December 2019 was 28,246 million euros and reflects the impact of the application of the new IFRS 16 (Leases) accounting standard.

Reported Adjusted Net Financial Debt (including IFRS 16) amounted to 27,668 million euros as of 31 December 2019 and in particular reflects the impact of the increase of 3,553 million euros resulting from the application of the new IFRS 16 (Leases) accounting standard from 1 January 2019, following which lease payments are no longer recorded among costs for the purchase of goods and services but must be recorded in the statement of financial position as a financial liability represented by the current value of the future lease payments.

The **Adjusted Net Financial Debt - After Lease** (net of the impact of all leases), **a metric adopted by the main European peers**, was 21,893 million euros as of 31 December 2019.

The **liquidity margin** available to the TIM Group was 9,015 million euros, and was calculated taking account of:

- "Cash and Cash Equivalents" and "Securities other than investments" for a total of 4,015 million euros (3,043 million euros at 31 December 2018);
- the total Revolving Credit Facility of 5,000 million euros.

This margin means that the financial liabilities of the Group falling due can be covered for the next 30 months.

In the fourth quarter of 2019 **the comparable adjusted net financial debt** was 23,839 million euros, down by 473 million euros compared with 30 September 2019 (24,312 million euros) as a result of positive cash generation and the sale of the shareholding in Persidera.

In the fourth quarter of 2019, **the reported adjusted net financial debt** decreased by 223 million euros compared with 30 September 2019 (27,891 million euros).

BUSINESS UNIT RESULTS

DOMESTIC

In 2019, the Telecom Italia Sparkle group underwent a market repositioning which by the end of the year allowed it to achieve a gradual and significant integration of the Sparkle group's business with that of Core Domestic. This integration is connected to the Sparkle group's transformation process, aimed at innovating the traditional business by focusing on more innovative business in order to meet the challenges of the new Gigabit Society. Therefore, starting from the end of 2019, the distinction between Core Domestic and International Wholesale has been removed and only information relating to the Domestic Business Unit will be provided.

Consequently, the data for the financial year have been restated to provide a more uniform representation.

Starting from 2019, in view of changes in the market and the types of offer, the distribution of revenues and the detail of some commercial indicators have been revised; consequently, the 2018 data given for comparison have also been updated in order to provide a uniform representation. Specifically, the Revenues are shown distinguishing between those resulting from Services/Service Packages alone (Revenues from Stand-Alone Services) and those resulting from so-called “bundle” offers, which require the customer to sign a contract for the purchase of equipment/products in addition to receiving a service for a specific period of time (Handset and Bundle & Handset Revenues).

Domestic Business Unit Revenues amounted to 14,081 million euros, down by 950 million euros (-6.3%) compared to 2018.

Revenues from Stand-Alone Services amounted to 12,588 million euros (-764 million euros compared to 2018, equal to -5.7%) and are affected by changes in the regulatory and competitive scenario. Excluding the revenues of the international wholesale component, down compared to 2018 following the review of the Voice Business in the Sparkle Group, more focused on relationships with higher margins, revenues amounted to 11,879 million euros in organic terms (-506 million euro compared to 2018, -4.0%).

In detail:

- **revenues from Stand-Alone Services in the Fixed Market** were 9,364 million euros, down by 511 million euros compared to the previous year (-5.2%). Excluding revenues from international wholesale component services, down compared to 2018 following the review of the Voice Business in the Sparkle Group, revenues from fixed services fell by 2.0%, in a competitive and challenging market context. The increase in retail ARPU, the growth in revenues from ICT solutions (+107 million euros compared to the previous year, +14.1%) and from broadband services (+89 million euros, +3.8%) only partially offset the physiological contraction in revenues from voice services following the decrease in accesses;
- **revenues from Stand-Alone Services in the market** were 3,775 million euros (-332 million euros, -8.1% compared to financial year 2018), affected by the impact of changes in the regulatory and competitive scenario, with a fall in the ARPU but with a steadily recovering trend through 2019 (-11.4% in Q1, -9.6% in Q2, -7.2% in Q3, -3.8% in Q4).

Handset and Bundle & Handset Revenues, including work in progress changes, were 1,493 million euros in 2019 (-186 million euros compared to 2018).

Domestic Business Unit revenues in the fourth quarter of 2019 amounted to 3,558 million euros, down by 291 million euros compared to the same period of the previous year (-7.6%).

The performance of the individual market segments of the Domestic Business Unit as compared with the 2018 financial year is as follows:

- **Consumer:** this includes all the voice and internet services and products managed and developed for individuals and households in the Fixed and Mobile and public telephony business; caring activities, operational credit support, loyalty and retention, related sales activities and the administrative management of customers; TIM Retail is included, which coordinates the business of the Flagship stores. 2019 revenues in the Consumer segment amounted to 6,594 million euros and were down by 786 million euros (-10.7%) on 2018, also due to changes in the regulatory and competitive scenario. The same dynamic observed in overall revenues was also seen in revenues from stand-alone services, which amounted to 5,800 million euros, down 7.7% on the previous year (-481 million euros). Specifically:
 - **revenues from Stand-Alone Services in the Mobile market** were 2,569 million euros and were down by 246 million euros (-8.7%) compared to 2018, affected by the impact of changes in the regulatory and competitive scenario which increased the churn rate and put pressure on ARPU levels; please also note that in the fourth quarter there was an improvement in the trend compared to the same period of the previous year;

- **revenues from Stand-Alone Services in the Fixed market** were 3,253 million euros, down on 2018 (-244 million euros, equal to -7.0%), affected by a decrease in accesses only partly offset by an increase in ARPU levels. The number of Broadband customers, particularly Ultra Broadband, is growing.

Handset and Bundle & Handset revenues in the Consumer segment were 794 million euros, down by 305 million euros compared to 2018 (-27.8%), concentrated in the mobile sector, due to changes in the commercial strategy on products to protect profit margins.

- **Business:** this includes all voice, data, internet services and products and ICT solutions managed and developed for Fixed and Mobile SME (Small and Medium Enterprises), SOHO (Small Office Home Office), Top, Public Sector, Large Account and Enterprise customers. The following companies are included: Olivetti, TI Trust Technologies and Telsy. Business segment revenues were 4,627 million euros, down by 51 million euros compared to the 2018 financial year (-1.1%, of which -2.9% on revenues from stand-alone services). Specifically:
 - **Mobile market revenues** performed negatively compared to the previous financial year (-9.9%), mainly due to lower revenues from stand-alone services (-9.8%) following the reduction in ARPU levels;
 - **Fixed market revenues** grew by 62 million euros compared to 2018 (+1.7%), while revenues from services remained substantially in line: the fall in prices and revenues from traditional services (particularly due to their technological shift towards VoIP systems and solutions) was almost entirely offset by the constant increase in revenues from ICT services.
- **Wholesale National Market:** this includes the management and development of wholesale services, both regulated and unregulated, for Fixed and Mobile telecommunications operators in the domestic market. The following companies are included: TN Fiber, TI San Marino and Telefonía Mobile Sammarinese. The Wholesale National Market segment presented revenues of 1,843 million euros in 2019, an increase of 68 million euros (+3.8%) on 2018, with a positive performance primarily driven by the growth in accesses in the Ultra BroadBand sector.
- **Wholesale International Market:** this includes the activities of the Telecom Italia Sparkle group, which operates in the international voice, data and internet services market for fixed and mobile telecommunications operators, ISP/ASP (Wholesale market) and multinational companies through proprietary networks in European, Mediterranean and South American markets. Revenues for the 2019 financial year of the Wholesale International Market segment were 947 million euros, down by 325 million euros (-25.6%) compared to 2018. This trend is mainly connected to the new positioning of Telecom Italia Sparkle in the Voice business, more focused on relationships with higher margins, particularly with a view to simplifying and improving the efficiency of operating processes.

* * *

Reported EBITDA for the Domestic Business Unit in the 2019 financial year was **5,708 million euros**, benefiting from the application of IFRS 16 in the amount of 363 million euros.

Comparable EBITDA for the 2019 financial year was 5,345 million euros, 610 million euros lower than the 2018 financial year (-10.2%).

Organic EBITDA, net of the non-recurring component, stood at **6,041 million euros**, down by 321 million euros compared to 2018 (-5.0%). In particular, the EBITDA for the 2019 financial year was affected by an overall negative impact of 696 million euros relating to non-recurring charges connected mainly with disputes and regulatory sanctions and liabilities related to them, liabilities towards customers and/or suppliers and charges related to corporate reorganisation/restructuring as well as to the aforementioned adjustments to revenues from previous years.

Organic EBITDA, net of the non-recurring component, was calculated as follows:

(million euros)	2019 comparable	2018	Changes	
			absolute	%
EBITDA	5,345	5,955	(610)	(10.2)
Foreign currency translation	–	2	(2)	
Changes in the consolidation scope	–	(3)	3	
Non-recurring charges/(income)	696	408	288	
ORGANIC EBITDA - excluding non-recurring component	6,041	6,362	(321)	(5.0)

EBITDA for the fourth quarter of 2019 was **1,154 million euros**.

Comparable EBITDA in the fourth quarter of 2019 was 1,060 million euros, down by 156 million euros compared with the fourth quarter of 2018 (-12.8%).

Reported EBIT for the Domestic Business Unit in the 2019 financial year was **1,887 million euros**.

The comparable EBIT for the 2019 financial year was 1,852 million euros (16 million euros in 2018), an increase of 1,836 million euros, accounting for 13.2% of revenues (0.1% in 2018). In 2019, depreciation, amortization and capital losses from the disposal of non-current assets amounted to 3,391 million euros (3,327 million euros in 2018) with an increase mainly related to the amortization of the 5G spectrum.

Note that the EBIT for the 2018 financial year was affected by the goodwill impairment loss attributed to Core Domestic and International Wholesale in the total amount of 2,590 million euros.

Organic EBIT, net of the non-recurring component, stood at **2,566 million euros** (3,013 million euros in 2018), accounting for 18.2% of revenues (20.0% in 2018).

Organic EBIT, net of the non-recurring component, was calculated as follows:

(million euros)	2019 comparable	2018	Changes	
			absolute	%
EBIT	1,852	16	1,836	-
Changes in the consolidation scope	–	(1)	1	
Non-recurring charges/(income)	714	2,998	(2,284)	
ORGANIC EBIT excluding non-recurring component	2,566	3,013	(447)	(14.8)

EBIT for the fourth quarter of 2019 was **193 million euros**.

Comparable EBIT in the fourth quarter of 2019 was 162 million euros, up by 397 million euros compared with the fourth quarter of 2018.

The **headcount** stood at 45,496 employees (48,200 as of 31 December 2018), down by 2,704.

BRAZIL (AVERAGE REAL/EURO EXCHANGE RATE 4.41422)

The **2019 revenues of the TIM Brasil group** were 17,377 million reais, 396 million reais higher than in 2018 (+2.3%).

Revenues from services were 16,597 million reais, up by 391 million reais compared to 16,206 million reais in 2018 (+2.4%).

Revenues from product sales totalled 780 million reais (775 million reais in 2018). The increase reflects the change in commercial policy, more focused on value than on increasing sales volumes, and aimed primarily

at developing the sale of new handsets that enable the use of broadband services on the 3G/4G networks by TIM customers, and supporting the new offers to retain the highest value post-paid customers.

Fourth quarter 2019 revenues totalled 4,586 million reais, an increase of 2.9% compared to the same period of the previous year (4,457 million reais).

The **mobile ARPU** for 2019 was 23.7 reais, up from the 22.5 reais recorded in 2018 thanks to the global repositioning of the post-paid segment and new commercial initiatives intended to promote the use of data and average expenditure per customer.

The **total number of lines** as of 31 December 2019 was 54.4 million, 1.5 million fewer than at 31 December 2018 (55.9 million). This fall is entirely attributable to the prepaid segment (-2.7 million) and is only partially offset by the growth in the post-paid segment (+1.2 million), also as a result of the ongoing consolidation in the second SIM card market. Post-paid customers represented 39.4% of the customer base as of 31 December 2019, 3.2 percentage points higher than at December 2018 (36.2%).

Reported EBITDA for the 2019 financial year was 10,820 million reais.

Comparable EBITDA for 2019 was 9,505 million reais, up by 3,189 million (+50.5%).

2019 EBITDA included 2,760 million reais of net non-recurring income (2 million reais in 2018) attributable to the posting of tax credits in the amount of 3,024 million reais (following recognition by the Brazilian Federal Supreme Court ("STF") of the unconstitutionality of the inclusion of ICMS in the basis for calculating the PIS/COFINS contributions), offset by charges for non-recurring expenses in the amount of 264 million reais, mainly represented by funds for regulatory disputes and contingent related liabilities, liabilities towards customers and/or suppliers and charges for corporate reorganizations/restructuring.

EBITDA, net of the non-recurring component, totalled 6,745 million reais and was calculated as follows:

(million reais)	2019 comparable	2018	Changes	
			absolute	%
EBITDA	9,505	6,316	3,189	50.5
Non-recurring charges /(income)	(2,760)	(2)	(2,758)	
ORGANIC EBITDA - excluding non-recurring component	6,745	6,314	431	6.8

Excluding the aforementioned non-recurring components, EBITDA grew by 6.8%, thanks both to the positive trend in revenues and to the benefits of projects to improve the efficiency of the operating cost structure.

EBITDA for the fourth quarter of 2019 was 2,298 million reais. Applying the same accounting standards, it stood at 1,955 million reais, up by 148 million reais compared to the fourth quarter of 2018 (1,807 million reais).

The EBITDA margin for the fourth quarter of 2019 was 42.6%, 2.1 percentage points higher than in the same period of the previous year (40.5%).

Reported EBIT for 2019 totalled **5,726 million reais**.

Comparable 2019 EBIT totalled 5,365 million reais, an increase of 2,937 million euros compared to 2018 (2,428 million reais).

Organic EBIT, net of the non-recurring component, totalled 2,605 million reais (+7.4%) and was calculated as follows:

(million reais)	2019 comparable	2018	Changes	
			absolute	%
EBIT	5,365	2,428	2,937	-
Non-recurring charges /(income)	(2,760)	(2)	(2,758)	
ORGANIC EBIT - excluding non-recurring component	2,605	2,426	179	7.4

EBIT for the fourth quarter of 2019 totalled 1,250 million reais. Using the same accounting standards, this figure was 850 million reais, 43 million reais higher (+5.3%) than in the fourth quarter of 2018 (807 million reais). The EBIT margin for the fourth quarter of 2019 was 18.5%, 0.4 percentage points higher than in the same period of the previous year (18.1%).

The **headcount** stood at 9,689 employees (9,658 as of 31 December 2018), an increase of 31.

THE RESULTS OF TIM S.P.A.

The **revenues** of TIM S.p.A. reached **13,137 million euros**, down by 765 million euros (-5.5%) compared to 2018. Adoption of the new IFRS16 standard led to a reduction in the revenues recorded of 3 million euros. Excluding these effects, revenues for the 2019 financial year amounted to 13,140 million euros, down by 762 million euros (-5.5%) compared to the 2018 financial year.

Revenues for the 2019 financial year included a non-recurring adjustment of -15 million euros relating to previous years.

Note also that the mentioned merger by incorporation of Noverca S.r.l. into TIM S.p.A. determined a net contribution to revenue of 27 million euros.

Revenues from Stand-Alone Services amounted to 11,677 million euros (-454 million euros compared to 2018, equal to -3.7%) and are affected by changes in the regulatory and competitive scenario. In particular, revenues from stand-alone services in the Fixed Market (-186 million euros compared to the previous year, -2.1%) and revenues from stand-alone Services in the Mobile Market (-341 million euros compared to previous year, -8.4%) were down.

Handset and Bundle & Handset revenues, including work in progress changes, were 1,463 million euros in 2019 (-308 million euros compared to 2018).

Reported EBITDA for the 2019 financial year amounted to 5,482 million euros, benefiting in the amount of 553 million euros from the application of IFRS 16, following which, with reference to the leasing contracts covered by the standard, the related lease payments are no longer recorded among the costs for the purchase of goods and services but a liability of a financial nature must be posted to the statement of financial position, represented by the present value of future lease payments, recording under assets the right to use the leased asset, amortised over the likely contractual term, and posting the financial charges component to the income statement.

Comparable EBITDA for the 2019 financial year – prepared on the basis of accounting standards consistent with those adopted in 2018 – amounted to 4,929 million euros (5,608 million euros in the 2018 financial year; -12.1%), accounting for 37.5% of revenues (40.3% in the 2018 financial year; down by 2.8 percentage points).

Organic EBITDA net of the non-recurring component stood at **5,597 million euros** accounting for 42.5% of revenues (6,012 million euros in the 2018 financial year, accounting for 43.1% of revenues). In detail, in 2019 TIM S.p.A. had non-recurring net items for total 668 million euros, linked mainly to provisions for regulatory and potential disputes

Reported EBIT in the 2019 financial year totalled **1,722 million euros**.

Comparable EBIT in financial year 2019, net of the impact of IFRS 16 of 57 million euros, was 1,665 million euros (-241 million euros in financial year 2018), up by 1,906 million euros on financial year 2018, accounting for 12.7% of revenues (-1.7% in financial year 2018).

Organic EBIT, net of the non-recurring component, stood at 2,333 million euros (2,849 million euros in the 2018 financial year), accounting for 17.7% of revenues (20.4% in 2018).

The **result** for 2019 was positive in the amount of **382 million euros** (negative in the amount of 1,854 million euros in 2018) and was negatively affected by the adoption of the new IFRS 16 standard amounting to 4 million euros, as well as non-recurring net charges of 515 million euros.

In comparable terms, the 2019 result would be positive by approximately 900 million euros, down by approximately 300 million euros on financial year 2018.

AFTER LEASE INDICATORS

In order to allow a better understanding of the operations and financial position, in addition to the conventional financial indicators envisaged by the IFRS, the TIM Group uses some alternative performance indicators. In particular, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

TIM GROUP EBITDA ADJUSTED AFTER LEASE

(million euros)	2019 comparable	2018	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	7,560	7,774	(214)	(2.8)
Finance lease asset amortization	(187)	(215)	28	13.0
Financial charges on finance lease liabilities	(157)	(184)	27	14.7
Exchange rate effect on amortization and financial charges on finance lease liabilities		2	(2)	-
EBITDA adjusted After Lease (EBITDA-AL)	7,216	7,377	(161)	(2.2)

EBITDA ADJUSTED AFTER LEASE DOMESTIC

(million euros)	2019 comparable	2018	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	6,041	6,362	(321)	(5.0)
Finance lease asset amortization	(169)	(200)	31	15.5
Financial charges on finance lease liabilities	(105)	(129)	24	18.6
EBITDA adjusted After Lease (EBITDA-AL)	5,767	6,033	(266)	(4.4)

EBITDA ADJUSTED AFTER LEASE BRAZIL

(million reais)	2019 comparable	2018	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	6,745	6,314	431	6.8
Finance lease asset amortization	(79)	(68)	(11)	(16.2)
Financial charges on finance lease liabilities	(229)	(228)	(1)	(0.4)
EBITDA adjusted After Lease (EBITDA-AL)	6,437	6,018	419	7.0

TIM GROUP ADJUSTED NET FINANCIAL DEBT AFTER LEASE

(million euros)	31.12.2019	31.12.2018	Changes
Comparable Adjusted Net Financial Debt	23,839	25,270	(1,431)
Finance lease liabilities (IAS 17)	(1,946)	(1,948)	2
Adjusted Net Financial Debt - After Lease	21,893	23,322	(1,429)

EBITDA ADJUSTED AFTER LEASE TIM S.p.A.

(million euros)	2019 comparable	2018	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	5,597	6,012	(415)	(6.9)
Finance lease asset amortization	(167)	(199)	32	16.1
Financial charges on finance lease liabilities	(104)	(129)	25	19.4
EBITDA adjusted After Lease (EBITDA-AL)	5,326	5,684	(358)	(6.3)

ADJUSTED NET FINANCIAL DEBT AFTER LEASE TIM S.p.A.

(million euros)	31.12.2019	31.12.2018	Changes
Adjusted Net Financial Debt Comparable	26,675	28,053	(1,378)
Finance lease liabilities (IAS 17)	(1,591)	(1,604)	13
Adjusted Net Financial Debt - After Lease	25,084	26,449	(1,365)

OUTLOOK FOR THE 2020 FINANCIAL YEAR

Please refer to the press release about the 2020-2022 Strategic Plan, that will be issued the 10 March, 2020.

EVENTS SUBSEQUENT TO 31 DECEMBER 2019

LOAN AGREEMENT WITH BANCO DO NORDESTE DO BRASIL

On 31 January 2020, TIM.S.A., a Tim Brasil group company, signed a loan agreement with Banco do Nordeste do Brasil, for a total amount of 752,479 reais: (i) 325.071 reais at a cost of HICP +1.4386%, subject to a default bonus of 15%; and, (ii) 427.408 reais at a cost of HICP +1.7582%, subject to a default bonus of 15%. The purpose of the facility is to finance investments in the north-east and north of the states of Minas Gerais and Espírito Santo from 2019 to 2022 with a total payment term of 8 years consisting of a grace period of 3 years followed by 5 years of repayments. The transaction will be guaranteed by (i) a bank guarantee equal to 100% of the amount of each disbursement; and (ii) a bond to 5% of the amount of each disbursement. There have been no disbursements to date.

A JOINT VENTURE BETWEEN TIM AND SANTANDER CONSUMER BANK TO OFFER CONSUMER CREDIT TO TIM CUSTOMERS HAS BEEN SET UP.

See the Press Release on the same subject issued on 17 February 2020.

TIM AND GOOGLE CLOUD: STRATEGIC PARTNERSHIP GETS THE GO-AHEAD

See the Press Release on the same subject issued on 4 March 2020.

THE EUROPEAN COMMISSION GIVES THE GO-AHEAD TO THE MERGER OF THE INWIT TOWERS AND VODAFONE ITALIA

See the Press Release on the same subject issued on 6 March 2020.

NON-FINANCIAL PERFORMANCE

The drive to move towards a sustainable economic model has generated increasing support from the civil society for businesses that pursue a long-term vision through concrete social and environmental actions. The path towards sustainable development also involves the use of ICT products and services, factors that enable the objectives of the Agenda 2030 to be achieved: the intelligent use of data is the bedrock of greater efficiency and less waste of resources. In this context, TIM's widespread presence and infrastructural and technological assets confirm its role as leader in the evolution towards a digital economy which, in turn, determines an acceleration in the now necessary cultural, environmental and social changes that form the basis of a different economic equilibrium.

The Group's commitment to integrating sustainability within its corporate strategy is confirmed by its inclusion, for the sixteenth year running, in the **Dow Jones Sustainability Index Europe (DJSI Europe)**.

In addition to its inclusion in the Dow Jones index, TIM is also included in other important global indices, such as the **FTSE4Good** and **Euronext Vigeo Eiris** indices.

CORPORATE GOVERNANCE ISSUES

The Company's focus on the issue of sustainability is confirmed by the decision of the Board of Directors to alter the mission of the Strategic Committee, including within it the task of checking the consistency of TIM's objectives and management with environmental, social and corporate sustainability criteria.

The Committee is renamed to Strategies and Sustainability Committee and its current members (Chairman of the Board of Directors, CEO, Directors Cadoret, de Puyfontaine, Ferrari and Sabelli) will be joined by the Directors Bonomo and Cappello (both independent).

This is the first step being taken to alter the governance structure the Company has established over time and which the Board of Directors currently expects to review in order to comply with the new Borsa Italiana Corporate Governance Code and more generally the renewal of the regulatory framework in view of the transposition of the SHRD2 Directive.

On a separate front, the Board of Directors has examined the issue of adapting the Articles of Association to the new legal provisions on gender balance, which require the presence of both genders in the collegiate bodies of listed companies for six consecutive mandates starting from the first renewal subsequent to January 1, 2020, ensuring that the less represented gender constitutes at least two fifths of the total.

A proposal will therefore be made to the Shareholders' Meeting to adapt article 9 of the Articles of Association (appointment of the Board of Directors), varying the size of the quota reserved for the less represented gender from 1/3 to 2/5 of the total (a quota will remain stable at TIM regardless of the "sunset clause" established by the legislator) and updating the mechanisms intended to ensure compliance with the requirement, coordinating it with the principle of independence of at least half of the elected representatives from each slate.

No action is however expected to be taken regarding the Board of Statutory Auditors, which already provides for the presence of three statutory auditors of one gender and two of the other.

Note that the right of withdrawal will not apply to shareholders who do not contribute to the approval of the proposed amendments to the articles of association.

As for the expiration of the mandate, linked to the co-option mechanism, of Director Cadoret and the Chairman of the Board of Directors at the next Shareholders' Meeting (as they were both co-opted to replace Amos Genish and Fulvio Conti respectively), the Board of Directors has decided to propose that they be confirmed in their posts for the rest of the current mandate of the Board of Directors (i.e. until approval of the financial statements as of 31 December 2020).

REMUNERATION POLICY - LONG-TERM INCENTIVE PLAN

On the basis of the investigation carried out by the Nomination and Remuneration Committee, the Board of Directors has approved the proposal regarding the 2020-22 Long-Term Incentive Plan to be made to the Shareholders' Meeting. The initiative is intended to set a new direction for TIM's remuneration policy by significantly renewing the Company's long-term incentive architecture with a rolling approach, which provides for the annual launch of separate incentive cycles lasting three financial years each (2020-2022, 2021-2023, 2022-2024), uniform and in line with the corresponding business planning cycles, on the understanding that the inclusion of executives will take place separately for each incentive cycle.

The purpose of the LTI Plan is to encourage beneficiaries to pursue TIM's sustainable success, and therefore to achieve the strategic objectives defined by the Board of Directors in the business plan in terms of economic and financial objectives and ESG objectives,

- as well as growth in the value of the share in the medium-long term.

At the same time, the LTI Plan pursues the purpose of retaining skilled executives and increasing the attractiveness of the corporate remuneration policy outside the company.

Consistent with these purposes, the LTI Plan offers its beneficiaries:

- Performance Shares, i.e. free assignment of TIM ordinary shares in variable numbers upon achievement of predetermined performance conditions (and in particular, with reference to the first 2020-2022 cycle, Net Financial Position/EBITDA ratio: 40% weighting; relative performance of ordinary shares compared to a basket of peers: 60% weighting), with access being dependent on the value of the ordinary share at the end of the individual incentive cycle being higher than or at least equal to its value at the start;
- Attraction/Retention Shares, i.e. free assignment of TIM ordinary shares subject to remaining in employment with TIM or its subsidiaries.

In particular, the CEO of TIM will be assigned Performance Shares only, whereas the on-target pay opportunity of the remaining beneficiaries will be 70% Performance Shares and 30% Attraction/Retention Shares.

The on-target pay opportunity of the CEO will be 125% of his fixed gross annual remuneration, while for the remaining beneficiaries there will be three bands based on the role performed and a qualitative assessment, with a pay opportunity corresponding respectively to 100%, 75% and 50% of gross annual remuneration. The payout curve for the Performance Shares component will be different for the Chief Executive Officer (minimum 75%, target 125%, maximum 200% of his fixed remuneration) and the remaining beneficiaries (for whom a linear variability range is set of 50% -100 % -150% of the number of shares subject to Performance Share). Obviously the payout of the Attraction/Retention Shares component will be flat. Furthermore, a payout factor of +/- 4% will be applied to both the Performance Share and Attraction/Retention Share components, linked to the appropriate ESG objectives set in the industrial planning cycle corresponding to the individual incentive cycle. Compared to the 2020-2022 cycle, the corrective factor will reflect the targets in the period of use of renewable energy out of the total energy used (50% weighting) and the reduction of CO2 emissions (50% weighting).

To service the whole plan, a proposal will be made to the Shareholders' Meeting to make available a basket of a maximum of 180,000,000 ordinary shares to be issued according to article 2349 of the Italian Civil Code by 31 December 2025, with no capital increase, as allowed by the absence of a nominal value.

Note that the right of withdrawal will not apply to shareholders who do not contribute to the approval of the proposed amendments to the articles of association associated with the launch of the plan.

BROAD-BASED SHARE OWNERSHIP PLAN

Alongside the LTI Plan, a proposal will be made to the Shareholders' Meeting to make an offer to all Telecom Italia Group employees to buy Telecom Italia ordinary shares at a discount on the market price, followed by the free assignment of ordinary shares, subject to the shares purchased being held for one year and to continued employment with with Group companies, at a rate of 1 bonus share for every 3 shares purchased. As on previous occasions, the discount applied will be 10% of the so-called normal value of the security when the subscription period starts. In this case, the ordinary shares serving the plan are expected to be a maximum of 170,000,000, including 127,500,000 to be offered for purchase by 31 December 2020 and 42,500,000 to be issued pursuant to article 2349 of the Italian Civil Code by 31 December 2021, all without proceeding with a capital increase.

Note that the right of withdrawal will not apply to shareholders who do not contribute to the approval of the proposed amendments to the articles of association associated with the launch of the plan.

CONVENING OF THE SHAREHOLDERS' MEETING

In view of the health emergency affecting the whole country, in convening the ordinary shareholders to the shareholders' meeting, as per the practice in a single call, the Board of Directors has conferred a mandate to the Chairman of the Board of Directors and CEO to determine the place and date of the meeting, which must be compatible with the coupon date set for payment of the 2019 dividend (22 June 2020).

The call notice will be published once the mandate has been exercised. In the meantime, the following will be published on the Company's website at www.telecomitalia.com: financial and non-financial

documentation, report on corporate governance and share ownership, report on remuneration policy and remuneration paid, the various proposed resolutions and information documents regarding the Long-Term Incentive Plan and Broad-Based Share Ownership Plan.

The following will be proposed to the Shareholders' meeting:

- approval of the financial statements, profit allocation and dividend distribution
- the appointment of two Directors, to replace Amos Genish and Fulvio Conti
- the report on remuneration policy and remuneration paid (for approval of the first section and a non-binding resolution on the second, as required by law)
- approval of the Long-Term Incentive Plan, as per the disclosure document (in the ordinary session), and issuing of shares to service it (in the extraordinary session)
- issuing of shares to service the 2020 broad-based share ownership plan (in the extraordinary session)
- the amendment of art. 9 of the Bylaws to adapt to the new legal provisions on gender balance

The dividends will be made payable to the entitled parties based on the evidence in the share deposit accounts at the end of the record date of 23 June 2020 (record date), starting from 24 June 2020, while the coupon date will be 22 June 2020.
