TIM Group

Changes in financial reporting

8 May 2019

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 have been applied on a basis consistent with those adopted in the 2017 Consolidated Financial Statements, except for the new standards and interpretations adopted by the Group since 1 January, 2018 (including IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers).

TIM is adopting **IFRS 16** from 1 January 2019, using the simplified retrospective approach, without restatement of prior period comparatives. The implementation of the new standard has not been fully completed; the impact of the adoption of IFRS 16 is unaudited and may be subject to change until the publication of TIM's 2019 Annual Report.

Alternative performance measures

The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures include: EBITDA (reported and organic), EBIT and net debt.

Since 1 January 2019, the adoption of IFRS 16 led the TIM Group to adapt its financial indicators with:

- EBITDA adjusted After Lease, where EBITDA is adjusted for the impact of lease costs, including depreciation of right-of-use assets and interest expense on lease liabilities; and
- Net Financial Position After Lease, without impact of lease liabilities. Such alternative performance measures are unaudited.

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Introducing TIM's financial reporting for 2019

This presentation addresses two items which impact TIM's financial reporting:

1) New Accounting Standards and KPIs

- IFRS 16 and "After Lease" adoption (as from 1 January 2019)
- IFRS 9/15 (already introduced in 2018)

2) New Revenues Segments Reporting Structure

Reporting 2018		New Reporting	
Old Principles	**IFRS 9/15**	**IFRS 16**	**"After Lease" view**
No longer adopted	First time adoption in 2018 last shown in 2019	First time adoption in 2019	**Additional key financial communication and guidance**

Tim will provide comparability and guidance based on "After Lease" view Key impacts on EBITDA and Net Debt shown below

2018FY € Bn	Reporting 2018: Pre IFRS 9/15	Reporting 2018: Δ IFRS 9/15	Reporting 2018: Post IFRS 9/15	New Reporting: Δ IFRS16	New Reporting: IFRS 16	New Reporting: Δ IFRS16 (1)	New Reporting: Δ IAS17 (2)	New Reporting: "After lease"
EBITDA Organic (1)	8.1	-0.3	7.8	+0.7	8.5	-0.7	-0.4	7.4
EBITDA Reported	7.7	-0.3	7.4	+0.7	8.1	-0.7	-0.4	7.0
Domestic	6.2	-0.3	6.0	+0.4	6.4	-0.4	-0.3	5.6
Brasil	1.5	-0.0	1.5	+0.3	1.8	-0.3	-0.1	1.4
Net Debt	25.3		25.3	+3.6	28.9	-3.6	-1.9	23.3
Debt / EBITDA Reported	3.28x		3.41x		3.58x			3.33x
Debt / EBITDA Organic (1)	3.11x		3.24x		3.40x			3.16x

1 Operating leases deducted

2 Financial leases deducted

- TIM is introducing an "After Lease" view of its main financials, where all leases, including those classified as "Finance leases" on a IAS 17 basis, are reclassified as OPEX instead of amortization and interest expenses as IFRS 16 requires.
- All lease liabilities (operating and finance) are at the same time deducted from the Net Debt.
- No change for Lease in which TIM Group acts as Lessor

(1) EBITDA Reported excluding non recurring items

Overview of all changes: accounting and revenues reporting

2018FY € Bn		Reporting 2018 Pre IFRS 9/15	Reporting 2018 Δ IFRS 9/15	Reporting 2018 Post IFRS 9/15	New Reporting ΔNewRevs Reporting Δ IFRS 16	New Reporting IFRS 16	New Reporting Δ IFRS16	New Reporting Δ IAS17	New Reporting "After lease"
REVENUES	Domestic	15.2	-0.2	15.0		15.0			15.0
	o/w Services	13.8	-0.2	13.7	-0.3	13.4			13.4
	Brasil	4.0	-0.0	3.9		3.9			3.9
	Group	**19.1**	**-0.2**	**18.9**		**18.9**			**18.9**
EBITDA organic	Domestic	6.6	-0.3	6.4	+0.4	6.7	-0.4	-0.3	6.0
	Brasil	1.5	-0.0	1.5	+0.3	1.8	-0.3	-0.1	1.4
	Group	**8.1**	**-0.3**	**7.8**	**+0.7**	**8.5**	**-0.7**	**-0.4**	**7.4**
EBITDA reported	Domestic	6.2	-0.3	6.0	+0.4	6.4	-0.4	-0.3	5.6
	Brasil	1.5	-0.0	1.5	+0.3	1.8	-0.3	-0.1	1.4
	Group	**7.7**	**-0.3**	**7.4**	**+0.7**	**8.1**	**-0.7**	**-0.4**	**7.0**
CAPEX ex spectrum	Domestic	3.2	-0.1	3.1		3.1			3.1
	Brasil	0.9	-0.0	0.9		0.9			0.9
	Group	**4.2**	**-0.1**	**4.0**		**4.0**			**4.0**
Net Debt (Group)	**Net Debt**	**25.3**		**25.3**	**+3.6**	**28.9**	**-3.6**	**-1.9**	**23.3**
	Debt / EBITDA	3.11x		3.24x		3.40x			3.16x

1 **New revenues reporting** no impact on total revenues

2 **IFRS16 impacts OPEX** (operating leases removed) and **Net Debt** (operating leases liabilities added)

3 For "**After Lease**" view, both IAS17 and IFRS16 effects are removed and all leases reclassified as **OPEX**. **Net Debt** is net of all lease liabilities

A recap on IFRS 9/15 main differences vs "Old Principles"

IFRS 9/15 were introduced in 2018. Key variations vs. the "Old Principles" were the following.

1. **Lower revenues** (-€169m): IFRS15 key impact deriving from a **different allocation of discounts within bundled services**, following the principle of Relative Fair Value.
2. **Higher OPEX** (+€141m): with IFRS 15 some cost categories (eg. mobile acquisition costs) are no longer capitalized and depreciated but recognized as deferred contract costs. IFRS 9 has introduced the recognition of higher provisions on trade receivables, connected with the introduction of expected credit loss model instead of incurred losses model (required by IAS 39).
3. **Lower CAPEX** (-€150m): as a consequence of reduced capitalized OPEX (mobile acquisition costs).
4. IFRS 9/15 has **no impact** on **EFCF** and **Net Debt**, with **positive Working Capital change** (+€160m) offsetting the lower EBITDA-CAPEX contribution

2018FY € Mln		Pre IFRS 9/15	Δ IFRS 9/15	Post IFRS 9/15
REVENUES	Domestic	15,185	-154	15,031
	o/w Services	13,834	-184	13,650
	Brasil	3,959	-16	3,943
	o/w Services	3,763		3,763
	Group	**19,109**	**-169** 1	**18,940**
	o/w Services	17,561	-182	17,379
OPEX	Domestic	8,618	112	8,730
	Brasil	2,448	28	2,476
	Group	**11,050**	**141** 2	**11,191**
EBITDA organic	Domestic	6,629	-266	6,363
	Brasil	1,511	-44	1,467
	Group	**8,121**	**-310**	**7,811**
EBITDA reported	Domestic	6,221	-266	5,955
	Brasil	1,511	-44	1,467
	Group	**7,713**	**-310**	**7,403**
CAPEX ex spectrum	Domestic	3,235	-116	3,119
	Brasil	924	-34	890
	Group	**4,159**	**-150** 3	**4,009**
Net Debt (Group)	**Net Debt**	**25,270**	4	**25,270**
	Debt / EBITDA	3.11x		3.24x

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New revenues reporting: Wireline

REVENUES (€ mln)	1Q18	2Q18	3Q18	4Q18	FY18
TOTAL WIRELINE REVENUES	**2,538**	**2,593**	**2,572**	**2,774**	**10,477**
Wireline Service Revenues	**2,402**	**2,458**	**2,468**	**2,546**	**9,875**
Retail Services	1,607	1,618	1,639	1,660	6,524
o/w Broadband and content	563	569	614	634	2,380
o/w ICT Services	165	186	189	216	756
Domestic Wholesale (1)	512	510	515	529	2,066
International Wholesale	286	323	310	353	1,272
Subsidiaries, adjustments and other	-3	7	5	5	13
Equipments	**136**	**135**	**104**	**228**	**602**

Old	FY'18
Service Revenues	**9,875**
Traditional Services	3,485
Voice	2,809
Business Data & Others trad	676
Innovative Services	**3,150**
Broadband and Content	2,388
ICT Service	763
Domestic Wholesale	**2,021**
TIS Group	1,272
Subs. Adj. and Other	-53
Equipments	**602**
TOTAL	**10,477**

- Adapting to organizational and business evolution, with a "Retail" and "Wholesale" view
- Overcoming anachronistic Traditional / Innovative view, with bundled services now being the norm
- Within Retail services, focus on Broadband and content and ICT services remains

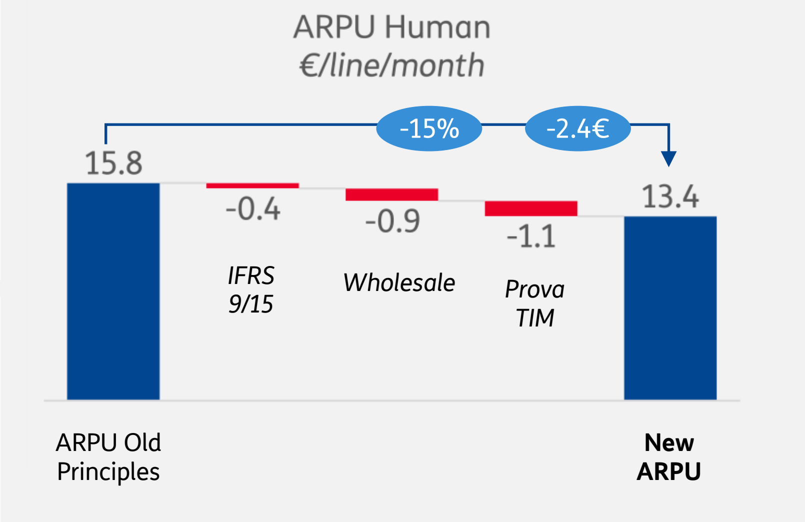
New revenues reporting: Mobile

REVENUES (€ mln)	1Q18	2Q18	3Q18	4Q18	FY18
TOTAL MOBILE REVENUES	**1,262**	**1,321**	**1,328**	**1,274**	**5,185**
Mobile Service Revenues (1)	**1,034**	**1,044**	**1,069**	**960**	**4,107**
Retail Services	946	942	931	880	3,699
o/w Incoming	73	74	70	73	289
Wholesale and Other	88	102	138	80	408
Handsets and Handsets Bundle	**228**	**277**	**259**	**314**	**1,078**

(1) 4Q'18 MSR including non linear items (€34 mln)

Old	FY'18
Service Revenues	**4,405**
Traditional Services	**1,982**
Outgoing voice	1,424
Incoming voice	315
Messaging	242
Innovative Services	**2,121**
Browsing	1,647
Internet Content	474
Wholesale Services	**302**
Handsets	**780**
TOTAL	**5,185**

- Adapting to organizational and business evolution, with a "**Retail**" and "**Wholesale**" view, the latter including MVNOs, Visitors and Inwit
- Overcoming anachronistic Traditional / Innovative view
- Revenues related to mobile handsets with bundled service promo ("Prova TIM") are now booked in the "Handsets / Handsets bundle" revenue line
- Mobile ARPU calculation has been aligned accordingly



First adoption of IFRS 16 in 2019: key impacts

TIM is adopting IFRS 16 from 1st Jan 2019, with simplified retrospective approach (no restatement of Y2018).

IFRS 16 introduces the requirement for **all lease agreements** (excluding those below threshold and <12months) to be booked on the balance sheet, with the same accounting model already adopted under IAS 17 for finance lease agreements

1. **Lower OPEX**(€-0.7bn) due to the reclassification of operating leases expenses as Right of Use amortization and Lease liabilities interests, leading to a higher EBITDA.
2. **Higher Net Debt** (+€3.6bn): related to the Lease Liabilities and **Higher RoU Assets** (+€3.6bn)

2018FY € Bn		Post IFRS 9/15	ΔNewRevs Reporting Δ IFRS 16	IFRS 16
REVENUES	Domestic	15.0		15.0
	o/w Services	13.7	-0.3	13.4
	Brasil	3.9		3.9
	Group	**18.9**		**18.9**
EBITDA organic	Domestic	6.4	+0.4	6.7
	Brasil	1.5	+0.3 (1)	1.8
	Group	**7.8**	**+0.7**	**8.5**
EBITDA reported	Domestic	6.0	+0.4	6.4
	Brasil	1.5	+0.3	1.8
	Group	**7.4**	**+0.7**	**8.1**
CAPEX ex spectrum	Domestic	3.1		3.1
	Brasil	0.9		0.9
	Group	**4.0**		**4.0**
Net Debt (Group)	**Net Debt**	**25.3**	**+3.6** (2)	**28.9**
	Debt / EBITDA	3.24x		3.40x

After Lease adoption

2018FY € Bn		IFRS 16	Δ IFRS16	Δ IAS17	"After lease"
REVENUES	Domestic	15.0			15.0
	o/w Services	13.4			13.4
	Brasil	3.9			3.9
	Group	**18.9**			**18.9**
EBITDA organic	Domestic	6.7	-0.4	-0.3	6.0
	Brasil	1.8	-0.3	-0.1	1.4
	Group	**8.5**	**-0.7**	**-0.4**	**7.4**
EBITDA reported	Domestic	6.4	-0.4	-0.3	5.6
	Brasil	1.8	-0.3	-0.1	1.4
	Group	**8.1**	**-0.7**	**-0.4**	**7.0**
CAPEX ex spectrum	Domestic	3.1			3.1
	Brasil	0.9			0.9
	Group	**4.0**			**4.0**
Net Debt (Group)	**Net Debt**	**28.9**	**-3.6**	**-1.9**	**23.3**
	Debt / EBITDA	3.40x			3.16x

Both financial and operating leases reclassified as OPEX and Net Debt excluding all lease liabilities

1. Impacts of IFRS 16 on operating leases reversed, with related expenses reclassified as OPEX.
2. Impacts of IAS 17, which was already present in 2018 accounts, neutralized as well, to provide a full "After Lease" view.
3. "Net debt AL" excludes all lease liabilities under IFRS 16 and IAS17.

No reclassification made for Lease in which TIM Group acts as Lessor

After Lease P&L reclassification

2018FY € Mln		Pre IFRS 9/15	Δ IFRS 9/15	Post IFRS 9/15	ΔNewRevs Reporting Δ IAS 17	"After lease"
REVENUES	Domestic	15,185	-154	15,031		15,031
	o/w Services	13,834	-184	13,650	-298	13,352
	Brasil	3,959	-16	3,943		3,943
	o/w Services	3,763		3,763		3,763
	Group	**19,109**	**-169**	**18,940**		**18,940**
EBITDA organic	Domestic	6,629	-266	6,363	-330	6,033
	Brasil	1,511	-44	1,467	-69	1,398
	Group	**8,121**	**-310**	**7,811**	**-399**	**7,412**
EBITDA reported	Domestic	6,221	-266	5,955	-330	5,625
	Brasil	1,511	-44	1,467	-69	1,398
	Group	**7,713**	**-310**	**7,403**	**-399**	**7,004**
Depreciation and Amortization		4,399	-144	4,255	-215	4,040
Gain/losses/impairment on non current assets		2,587	+0	2,587		2,587
EBIT	Group	727	-166	561	**-184**	377
Financial Expenses		1,341	+7	1,348	-184	1,164

399

RoU Amortization and Financial Expenses reclassified as “OPEX”

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