ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition related to the TIM Group and the Parent Company TIM S.p.A.. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- **EBITDA:** this financial measure is used by TIM as a financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for assessing the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent Company TIM S.p.A. in addition to **EBIT.**
  These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments [(1)]
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method[(2)]
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA - Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

(1) "Expenses (income) from investments" for TIM S.p.A.
(2) Line item in Group consolidated financial statements only.

- **Organic change in Revenues, EBITDA and EBIT**: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences.
  TIM believes that the presentation of the organic change in Revenues, EBITDA and EBIT allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level) and the Parent Company; this method of presenting information is also used in presentations to analysts and investors. In this press release, is also provided the reconciliation between the "accounting or reported" data and the "organic" ones.

- **EBITDA margin and EBIT margin**: TIM believes that these margins represent some useful indicator of the ability of the Group (as a whole and at Business Unit level) and the Parent Company to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (*business plans*) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the fiscal year with those of the previous fiscal years.

- **Net Financial Debt**: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets.
  In this press release are included two tables showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group and Parent Company respectively.
  In order to better represent the actual change in Net Financial Debt, in addition to the usual measure (named "Net financial debt carrying amount") is also shown the "Adjusted net financial debt", which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	**Gross Financial Debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets included in Discontinued operations/Non-current assets held for sale
B)	**Financial Assets**
C=(A - B)	**Net Financial Debt carrying amount**
D)	**Reversal of fair value measurement of derivatives and related financial liabilities/assets**
E=(C + D)	**Adjusted Net Financial Debt**

The reclassified Separate Income Statements, Statements of Comprehensive Income, Statements of Financial Position and the Statements of Cash Flows as well as the Net Financial Debt of the TIM Group and the Parent TIM S.p.A, herewith presented, are the same as those included in the Report of Operations of 2018 TIM Annual Financial Report.
Such statements, as well as the Net Financial Debt are in any case consistent with those included in the TIM Group Consolidated and Separate Financial Statements for the year ended December 31, 2018.
The accounting policies and consolidation principles have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2017, to which reference should be made, except for the new accounting principles applied starting from January 1, 2018 whose effects are shown in the following chapter "Adoption of the new IFRS 9 and IFRS 15 standards".
To enable the year-on-year comparison of the economic and financial performance for 2018, this press release shows "comparable" financial position figures and "comparable" income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretations).
To such extent, please note that the audit work by our independent auditors on the TIM Consolidated and Separate Financial Statements for the year ended December 31, 2018 as well as the check of consistency of the 2018 Report on Operations with the related TIM Consolidated and Separate Financial Statements have not yet been completed.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	2018	2018 comparable (a)	2017 (b)	Change (a-b) amount	Change (a-b) %
Revenues	**18,940**	**19,109**	**19,828**	**(719)**	**(3.6)**
Other income	341	341	523	(182)	(34.8)
Total operating revenues and other income	**19,281**	**19,450**	**20,351**	**(901)**	**(4.4)**
Acquisition of goods and services	(8,186)	(8,089)	(8,388)	299	3.6
Employee benefits expenses	(3,105)	(3,084)	(3,626)	542	14.9
Other operating expenses	(1,259)	(1,236)	(1,208)	(28)	(2.3)
Change in inventories	102	102	35	67	–
Internally generated assets	570	570	626	(56)	(8.9)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**7,403**	**7,713**	**7,790**	**(77)**	**(1.0)**
Depreciation and amortization	(4,255)	(4,399)	(4,473)	74	1.7
Gains (losses) on disposals of non-current assets	(1)	(1)	11	(12)	–
Impairment reversals (losses) on non-current assets	(2,586)	(2,586)	(37)	(2,549)	–
Operating profit (loss) (EBIT)	**561**	**727**	**3,291**	**(2,564)**	**(77.9)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(1)	(1)	(1)	–	–
Other income (expenses) from investments	11	10	(18)	28	–
Finance income	1,056	1,047	1,808	(761)	(42.1)
Finance expenses	(2,404)	(2,388)	(3,303)	915	27.7
Profit (loss) before tax from continuing operations	**(777)**	**(605)**	**1,777**	**(2,382)**	**–**
Income tax expense	(375)	(433)	(490)	57	11.6
Profit (loss) from continuing operations	**(1,152)**	**(1,038)**	**1,287**	**(2,325)**	**–**
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–	–	–
Profit (loss) for the year	**(1,152)**	**(1,038)**	**1,287**	**(2,325)**	**–**
Attributable to:					
Owners of the Parent	**(1,411)**	**(1,298)**	**1,121**	**(2,419)**	**–**
Non-controlling interests	259	260	166	94	56.6

TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Consolidated Statements of Comprehensive Income, including the Profit (loss) for the year, as shown in the Separate Consolidated Income Statements, and all non-owner changes in equity.

(millions of euros)		2018	2017
Profit (loss) for the year	**(a)**	**(1,152)**	**1,287**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(5)	–
Income tax effect		–	–
	(b)	**(5)**	**–**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		19	10
Income tax effect		(5)	(1)
	(c)	**14**	**9**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
	(d)	**–**	**–**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**9**	**9**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income (*):			
Profit (loss) from fair value adjustments		(14)	63
Loss (profit) transferred to Separate Consolidated Income Statement		(4)	(62)
Income tax effect		2	2
	(f)	**(16)**	**3**
Hedging instruments:			
Profit (loss) from fair value adjustments		362	(854)
Loss (profit) transferred to Separate Consolidated Income Statement		(336)	826
Income tax effect		(7)	(3)
	(g)	**19**	**(31)**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(554)	(830)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		–	19
Income tax effect		–	–
	(h)	**(554)**	**(811)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(i)	**–**	**–**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**(551)**	**(839)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**(542)**	**(830)**
Total comprehensive income (loss) for the year	**(a+m)**	**(1,694)**	**457**
Attributable to:			
Owners of the Parent		**(1,784)**	**527**
Non-controlling interests		90	(70)

(*)For the year of 2017 also including "Available-for-Sale financial assets".

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)		12/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		26,769	29,462	(2,693)
Intangible assets with a finite useful life		8,889	7,192	1,697
		35,658	**36,654**	**(996)**
Tangible assets				
Property, plant and equipment owned		14,251	14,216	35
Assets held under finance leases		1,895	2,331	(436)
		16,146	**16,547**	**(401)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		16	17	(1)
Other investments		49	51	(2)
Non-current financial assets		1,594	1,768	(174)
Miscellaneous receivables and other non-current assets		2,291	2,422	(131)
Deferred tax assets		1,136	993	143
		5,086	**5,251**	**(165)**
Total Non-current assets	**(a)**	**56,890**	**58,452**	**(1,562)**
Current assets				
Inventories		389	290	99
Trade and miscellaneous receivables and other current assets		4,706	4,959	(253)
Current income tax receivables		251	77	174
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,466*	*1,430*	*36*
Cash and cash equivalents		*1,917*	*3,575*	*(1,658)*
		3,383	5,005	(1,622)
Current assets sub-total		**8,729**	**10,331**	**(1,602)**
Discontinued operations /Non-current assets held for sale		**–**	**–**	**–**
Total Current assets	**(b)**	**8,729**	**10,331**	**(1,602)**
Total Assets	**(a+b)**	**65,619**	**68,783**	**(3,164)**

(millions of euros)		12/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		19,528	21,557	(2,029)
Non-controlling interests		2,219	2,226	(7)
Total Equity	**(c)**	**21,747**	**23,783**	**(2,036)**
Non-current liabilities				
Non-current financial liabilities		25,059	28,108	(3,049)
Employee benefits		1,567	1,736	(169)
Deferred tax liabilities		192	265	(73)
Provisions		876	825	51
Miscellaneous payables and other non-current liabilities		3,297	1,678	1,619
Total Non-current liabilities	**(d)**	**30,991**	**32,612**	**(1,621)**
Current liabilities				
Current financial liabilities		5,913	4,756	1,157
Trade and miscellaneous payables and other current liabilities		6,901	7,520	(619)
Current income tax payables		67	112	(45)
Current liabilities sub-total		**12,881**	**12,388**	**493**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**
Total Current Liabilities	**(e)**	**12,881**	**12,388**	**493**
Total Liabilities	**(f=d+e)**	**43,872**	**45,000**	**(1,128)**
Total Equity and liabilities	**(c+f)**	**65,619**	**68,783**	**(3,164)**

TIM GROUP – CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)		2018	2017
Cash flows from operating activities:			
Profit (loss) from continuing operations		(1,152)	1,287
Adjustments for:			
Depreciation and amortization		4,255	4,473
Impairment losses (reversals) on non-current assets (including investments)		2,589	50
Net change in deferred tax assets and liabilities		(195)	(147)
Losses (gains) realized on disposals of non-current assets (including investments)		1	(11)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		1	1
Change in provisions for employee benefits		(208)	437
Change in inventories		(99)	(30)
Change in trade receivables and net amounts due from customers on construction contracts		(49)	379
Change in trade payables		(163)	(605)
Net change in current income tax receivables/payables		(210)	(515)
Net change in miscellaneous receivables/payables and other assets/liabilities		(178)	80
Cash flows from (used in) operating activities	**(a)**	**4,592**	**5,399**
Cash flows from investing activities:			
Purchase of intangible assets		*(3,647)*	*(2,292)*
Purchase of tangible assets		*(2,831)*	*(3,477)*
Total purchase of intangible and tangible assets on an accrual basis		(6,478)	(5,769)
Change in amounts due for purchases of intangible and tangible assets		*1,947*	*455*
Total purchase of intangible and tangible assets on a cash basis		(4,531)	(5,314)
Capital grants received		108	82
Acquisition of control of companies or other businesses, net of cash acquired		–	–
Acquisitions/disposals of other investments		(3)	(4)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		96	466
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets		16	30
Cash flows from (used in) investing activities	**(b)**	**(4,314)**	**(4,740)**
Cash flows from financing activities:			
Change in current financial liabilities and other		394	(1,188)
Proceeds from non-current financial liabilities (including current portion)		2,546	2,630
Repayments of non-current financial liabilities (including current portion)		(4,426)	(3,426)
Changes in hedging and non-hedging derivatives		(110)	997
Share capital proceeds/reimbursements (including subsidiaries)		22	16
Dividends paid		(256)	(235)
Changes in ownership interests in consolidated subsidiaries		–	(4)
Cash flows from (used in) financing activities	**(c)**	**(1,830)**	**(1,210)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**–**	**–**
Aggregate cash flows	**(e=a+b+c+d)**	**(1,552)**	**(551)**
Net cash and cash equivalents at beginning of the year:	**(f)**	**3,246**	**3,952**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(63)	(155)
Net cash and cash equivalents at end of the year:	**(h=e+f+g)**	**1,631**	**3,246**

Additional Cash Flow information

(millions of euros)	2018	2017
Income taxes (paid) received	(739)	(1,100)
Interest expense paid	(1,978)	(2,899)
Interest income received	871	1,636
Dividends received	2	1

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2018	2017
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	3,575	3,964
Bank overdrafts repayable on demand – from continuing operations	(329)	(12)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	–	–
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	3,246	**3,952**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	1,917	3,575
Bank overdrafts repayable on demand – from continuing operations	(286)	(329)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	–	–
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	1,631	**3,246**

TIM GROUP - NET FINANCIAL DEBT

(millions of euros)	12/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	18,579	19,981	(1,402)
Amounts due to banks, other financial payables and liabilities	4,740	5,878	(1,138)
Finance lease liabilities	1,740	2,249	(509)
	25,059	**28,108**	**(3,049)**
Current financial liabilities (*)			
Bonds	2,918	2,221	697
Amounts due to banks, other financial payables and liabilities	2,787	2,354	433
Finance lease liabilities	208	181	27
	5,913	**4,756**	**1,157**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	–	–	–
Total Gross financial debt	**30,972**	**32,864**	**(1,892)**
Non-current financial assets			
Securities other than investments	–	–	–
Financial receivables and other non-current financial assets	(1,594)	(1,768)	174
	(1,594)	**(1,768)**	**174**
Current financial assets			
Securities other than investments	(1,126)	(993)	(133)
Financial receivables and other current financial assets	(340)	(437)	97
Cash and cash equivalents	(1,917)	(3,575)	1,658
	(3,383)	**(5,005)**	**1,622**
Financial assets relating to Discontinued operations/Non-current assets held for sale	–	–	–
Total financial assets	**(4,977)**	**(6,773)**	**1,796**
Net financial debt carrying amount	**25,995**	**26,091**	**(96)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(725)*	*(783)*	*58*
Adjusted Net Financial Debt	**25,270**	**25,308**	**(38)**
Breakdown as follows:			
Total adjusted gross financial debt	**29,432**	**31,149**	**(1,717)**
Total adjusted financial assets	**(4,162)**	**(5,841)**	**1,679**
(*) of which current portion of medium/long-term debt:			
Bonds	*2,918*	*2,221*	*697*
Amounts due to banks, other financial payables and liabilities	*1,477*	*1,371*	*106*
Finance lease liabilities	*208*	*181*	*27*

TIM GROUP – NET OPERATING FREE CASH FLOW

(millions of euros)	2018	2017	Change
EBITDA	7,403	7,790	(387)
Capital expenditures on an accrual basis	(4,009)	(5,071)	1,062
Investments for mobile licenses acquisition / spectrum	(2,399)	(630)	(1,769)
Change in net operating working capital:	1,194	(126)	1,320
Change in inventories	*(99)*	*(30)*	*(69)*
Change in trade receivables and net amounts due from customers on construction contracts	*(49)*	*379*	*(428)*
Change in trade payables (*)	*(150)*	*40*	*(190)*
Changes of mobile licenses acquisition payable / spectrum	*1,886*	*(257)*	*2,143*
Other changes in operating receivables/payables	*(394)*	*(258)*	*(136)*
Change in provisions for employee benefits	(208)	437	(645)
Change in operating provisions and Other changes	96	96	–
Net operating free cash flow	**2,077**	**2,496**	**(419)**
Of which Operating Free Cash Flow related to the mobile licenses acquisition / spectrum	*(513)*	*(887)*	*374*
% of Revenues	*11.0*	*12.6*	*(1.6) pp*

(*) Includes the change in trade payables for amounts due to fixed assets suppliers.

TIM GROUP – HIGHLIGHTS

(millions of euros)		2018	2018 comparable (a)	2017 (b)	% Change (a-b)	Organic
Revenues		**18,940**	**19,109**	**19,828**	(3.6)	0.1
EBITDA	(1)	**7,403**	**7,713**	**7,790**	(1.0)	2.6
EBITDA Margin		*39.1%*	*40.4%*	*39.3%*	*1.1 pp*	
Organic EBITDA Margin		*39.1%*	*40.4%*	*39.4%*	*1.0 pp*	
EBIT before goodwill impairment loss		**3,151**	**3,317**	**3,291**	0,8	
Goodwill impairment loss		*(2,590)*	*(2,590)*	–		
EBIT	(1)	**561**	**727**	**3,291**	(77.9)	(77.3)
EBIT Margin		*3.0%*	*3.8%*	*16.6%*	*(12.8) pp*	
EBIT Margin Organico		*3.0%*	*3.8%*	*16.8%*	*(13.0) pp*	
Profit (loss) for the year attributable to Owners of the Parent		**(1,411)**	**(1,298)**	**1,121**	-	
Capital Expenditures & spectrum		**6,408**	**6,558**	**5,701**	15.0	
		12/31/2018		**12/31/2017**	**Change Amount**	
Adjusted Net Financial Debt	(1)	**25,270**		**25,308**	**(38)**	

(millions of euros)		4rd Quarter 2018	4rd Quarter 2018 comparable (a)	4rd Quarter 2017 (b)	Change % (a-b)	Organic
Revenues		**4,863**	**4,892**	**5,149**	(5.0)	(2.5)
EBITDA	(1)	**1,625**	**1,683**	**1,577**	6.7	10.9
EBITDA Margin		*33.4%*	*34.4%*	*30.6%*	*3.8pp*	
Organic EBITDA Margin		*33.4%*	*34.4%*	*30.3%*	*4.1pp*	
EBIT before goodwill impairment loss		**534**	**555**	**457**	21.4	
Goodwill impairment loss		*(590)*	*(590)*	-		
EBIT	(1)	**(56)**	**(35)**	**457**	-	-
EBIT Margin		*(1.2)%*	*(0.7)%*	*8.9%*	*(9.6)pp*	
Organic EBIT Margin		*(1.2)%*	*(0.7)%*	*8.6%*	*(9.3)pp*	
Profit (loss) for the period attributable to owners of the Parent		**(543)**	**(528)**	**88**	–	

(1) Details are provided under "Alternative Performance Measures"

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	2018	2018 comparable (a)	2017 (b)	Change (a - b) amount	%	% organic
Revenues	15,031	15,185	15,354	(169)	(1.1)	(1.0)
EBITDA	5,955	6,221	6,171	50	0.8	0.9
EBITDA margin	*39.6*	*41.0*	*40.2*		*0.8 pp*	*0.8 pp*
EBIT	16	177	2,772	(2,595)	(93.6)	(93.6)
EBIT margin	*0.1*	*1.2*	*18.1*		*(16.9) pp*	*(16.9) pp*
Headcount at year end (number)	**48,200**		**49,851**	**(1,651)**	**(3.3)**	

(millions of euros)	4th Quarter 2018	4th Quarter 2018 comparable (a)	4th Quarter 2017 (b)	Change (a-b) amount	%	% organic
Revenues	3,849	3,874	4,042	(168)	(4.2)	(4.2)
EBITDA	1,216	1,263	1,116	147	13.2	13.1
EBITDA Margin	*31.6*	*32.6*	*27.6*		*5.0 pp*	*5.0 pp*
EBIT	(235)	(216)	265	(481)	–	–
EBIT Margin	*(6.1)*	*(5.6)*	*6.6*		*(12.2) pp*	*(12.2) pp*

Core Domestic

(millions of euros)	2018 comparable	2017	Change amount	%
Revenues	**14,161**	**14,249**	**(88)**	**(0.6)**
Consumer	*7,573*	*7,737*	*(164)*	*(2.1)*
Business	*4,721*	*4,656*	*65*	*1.4*
Wholesale	*1,787*	*1,690*	*97*	*5.8*
Other	*80*	*166*	*(86)*	*(51.8)*
EBITDA	**6,127**	**6,029**	**98**	**1.6**
EBITDA margin	*43.3*	*42.3*		*1.0 pp*
EBIT	**335**	**2,736**	**(2,401)**	**(87.8)**
EBIT margin	*2.4*	*19.2*		*(16.8) pp*
Headcount at year end (number)	**47,455**	**49,095**	**(1,640)**	**(3.3)**

TIM

International Wholesale

(millions of euros)	2018 comparable	2017	Change amount	Change %	Change % organic
Revenues	**1,272**	**1,349**	**(77)**	**(5.7)**	**(4.7)**
of which third party	*1,084*	*1,152*	*(68)*	*(5.9)*	*(4.7)*
EBITDA	**111**	**154**	**(43)**	**(27.9)**	**(26.5)**
EBITDA margin	*8.7*	*11.4*	*–*	*(2.7) pp*	*(2.6) pp*
EBIT	**(144)**	**37**	**(181)**		
EBIT margin	*(11.3)*	*2.7*	*–*	*(14.0) pp*	*(14.0) pp*
Headcount at year end (number)	**745**	**756**	**(11)**	**(1.5)**	

The International Wholesale Cash Generating Unit consists of the companies of the Telecom Italia Sparkle group; part of the TIM group's goodwill was allocated on the CGU. In the 2018 consolidated financial statements, following the impairment test, the value of the goodwill allocated was written down for an amount of 140 million euros.

***

BRAZIL

	(millions of euros)			(millions of Brazilian reais)				
	2018	2018 comparable (a)	2017 (b)	2018	2018 comparable (c)	2017 (d)	Change amount (c-d)	Change % (c-d)/d
Revenues	3,943	3,959	4,502	16,981	17,050	16,234	816	5.0
EBITDA	1,467	1,511	1,635	6,316	6,508	5,894	614	10.4
EBITDA margin	*37.2*	*38.2*	*36.3*	*37.2*	*38.2*	*36.3*		*1.9pp*
EBIT	564	569	535	2,428	2,449	1,931	518	26.8
EBIT margin	*14.3*	*14.4*	*11.9*	*14.3*	*14.4*	*11.9*		*2.5pp*
Headcount at year end (number)				9,658		9,508	150	1.6

	(millions of euros)			(millions of Brazilian reais)				
	4th Quarter 2018	4th Quarter 2018 comparable (a)	4th Quarter 2017 (b)	4th Quarter 2018	4th Quarter 2018 comparable (c)	4th Quarter 2017 (d)	Change amount (c-d)	Change (c-d)/d
Revenues	1,025	1,030	1,113	4,457	4,479	4,257	222	5.2
EBITDA	417	427	465	1,807	1,856	1,758	98	5.6
EBITDA margin	*40.5*	*41.4*	*41.3*	*40.5*	*41.4*	*41.3*		*0.1 pp*
EBIT	186	188	195	807	813	729	84	11.5
EBIT margin	*18.1*	*18.2*	*17.1*	*18.1*	*18.2*	*17.1*		*1.1 pp*

TIM GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

(millions of euros)	2018	2017	Change amount	Change %
REPORTED EBITDA	**7,403**			
Adoption new accounting principles effect	310			
Comparable EBITDA on the same accounting basis	**7,713**	**7,790**	**(77)**	**(1.0)**
Foreign currency financial statements translation effect		(269)	269	
Changes in the scope of consolidation		–	–	
ORGANIC EBITDA	**7,713**	**7,521**	**192**	**2.6**
of which non-recurring Income/(Expenses)	(408)	(883)	475	
Foreign currency translation effect on Non-recurring Income/(Expenses)		–	–	
ORGANIC EBITDA, excluding Non-recurring items	**8,121**	**8,404**	**(283)**	**(3.4)**

EBIT – reconciliation of organic data

(millions of euros)	2018	2017	Change amount	Change %
REPORTED EBIT	**561**			
Adoption new accounting principles effect	166			
Comparable EBIT on the same accounting basis	**727**	**3,291**	**(2,564)**	**(77.9)**
Foreign currency financial statements translation effect		(88)	88	
Changes in the scope of consolidation		–	–	
ORGANIC EBIT	**727**	**3,203**	**(2,476)**	**(77.3)**
of which non-recurring Income/(Expenses)	(2,998)	(913)	(2,085)	
Foreign currency translation effect on Non-recurring Income/(Expenses)		1	(1)	
ORGANIC EBIT, excluding Non-recurring items	**3,725**	**4,115**	**(390)**	**(9.5)**

DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

(millions of euros)	2018	2017	Change amount	Change %
REPORTED EBITDA	**5,955**	**–**		
Effect of adoption of new accounting standards	266	–		
COMPARABLE EBITDA – on the same accounting basis	**6,221**	**6,171**	**50**	**0.8**
Foreign currency financial statements translation effect	–	(3)	3	
Changes in the scope of consolidation	–	–	–	
ORGANIC EBITDA	**6,221**	**6,168**	**53**	**0.9**
of which non-recurring income/(expenses)	(408)	(882)	474	
ORGANIC EBITDA – excluding the non-recurring component	**6,629**	**7,050**	**(421)**	**(6.0)**

EBIT – reconciliation of organic data

(millions of euros)	2018	2017	Change amount	Change %
REPORTED EBIT	**16**	**–**		
Effect of adoption of new accounting standards	161	–		
COMPARABLE EBIT – on the same accounting basis	**177**	**2,772**	**(2,595)**	**(93.6)**
Foreign currency financial statements translation effect	–	(1)	1	
Changes in the scope of consolidation	–	–	–	
ORGANIC EBIT	**177**	**2,771**	**(2,594)**	**(93.6)**
of which non-recurring income/(expenses)	(2,998)	(912)	(2,086)	
ORGANIC EBIT excluding the non-recurring component	**3,175**	**3,683**	**(508)**	**(13.8)**

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facilities and term loans

In the table below are shown the committed credit lines available as of December 31, 2018:

(billions of euros)	12/31/2018		12/31/2017	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due May 2019	-	-	4.0	-
Revolving Credit Facility – due March 2020	-	-	3.0	-
Revolving Credit Facility – due January 2023	5.0	-	-	-
Total	5.0	-	7.0	-

On January 16, 2018 the two syndicated *Revolving Credit Facility* existing at December 31, 2017 were closed in advance and replaced by a new syndicated Revolving Credit Facility for the amount of 5 billion euros and expiring on January 16, 2023, currently unused.

As at December 31, 2018 TIM has bilateral *Term Loans* for the amount of 1,475 million euros and *Hot Money* loans for the amount of 250 million euros, fully drawn down.

Bonds

The following tables show the bond evolution occurred in the year 2018:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 750 million euros 2.875% due 1/28/2026	Euro	750	6/28/2018

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 593 million euros 4.750% (1)	Euro	593	5/25/2018
Telecom Italia Capital S.A. 677 million of USD 6.999% (2)	USD	677	6/4/2018
Telecom Italia S.p.A. 582 million euros 6.125% (3)	Euro	582	12/14/2018

(1) Net of 157 million euros repurchased by TIM S.p.A. in 2015.
(2) Net of bonds repurchased by TIM S.p.A. (323 million of USD) on July 20, 2015.
(3) Net of 168 million euros repurchased by TIM S.p.A. in 2015.

With respect to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, at December 31, 2018, the amount was 203 million euros (nominal amount), with a 1 million euros reduction respect to December 31, 2017 (204 million euros).

On January 11, 2019 TIM S.p.A. issued a 1,250 million euros bond, maturing on April 11, 2024, coupon 4.000%, issue price 99.436%, redemption price 100%. The issue is part of the process intended to optimize and refinance the forthcoming debt maturities.

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of December 31, 2018 issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) totals 3,166 million euros with the following detail:

- 832 million euros, due January 29, 2019;
- 664 million euros (equivalent to 760 USD million), due June 18, 2019;
- 950 million euros (equivalent to 850 GBP million), due June 24, 2019;
- 720 million euros, due January 21, 2020.

The bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that would involve the early automatic redemption of the bonds in relation to events other than the insolvency of the TIM Group[1]. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since these bonds have been placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets, including, for example, commitments not to use the company's assets as collateral for loans ("negative pledges").

With reference to the loans received by TIM S.p.A. from the European Investment Bank ("**EIB**"), as at December 31, 2018, the total nominal amount of outstanding loans amounted to 1,350 million euros, of which 800 million euros at direct risk and 550 million euros secured.

EIB loans not secured by bank guarantees for a nominal amount equal to 800 million euros need to apply the following covenant:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the advance repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- in the loan of 500 million euros signed on December 14, 2015 TIM enter into a contractual agreement according to which, for all the duration of the loan, the total financial indebtedness of the companies of the Group different from TIM S.p.A., and except in case that indebtedness is entirely and irrevocably guaranteed by TIM S.p.A., will be less than the 35% (thirty-five per cent) of the Group total financial indebtedness.

EIB loans, both secured by bank or approved parties guarantees for a total nominal amount of 550 million euros and the loans at direct risk, need to apply the following covenants:

- "Inclusion clause", according to which in the event TIM commits to keep in other loan contracts financial covenants (and in the loans at direct risk signed in 2014 and 2015, also more stringent clauses, for example, cross default and restrictions of the sale of goods) which are not present or are stricter than those granted to the EIB, then the EIB will have the right to request, at its fair opinion, in case those variations shall have negative consequences on TIM financial capacity, the providing of guarantees or the modification of the loan contract in order to envisage an equivalent provision in favor of the EIB;
- "Network Event", according to which, against the disposal of the entire fixed network or of a substantial part of it (in any case more than half in quantitative terms) in favor of not controlled third parties or in case of disposal of the controlling stake of the company in which the network or a substantial part of it has previously been transferred, TIM shall immediately inform EIB, which shall have the option of requiring the provision of guarantees or amendment of the loan contract or an alternative solution.

TIM S.p.A. loan contracts do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.

The loan contracts contain the usual other types of covenants, including the commitment not to use the Company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content are also found in the export credit loan agreement.

In the Loan contracts and in the Bonds, TIM must provide communication in case of change in control. Identification elements to prove that event of change in control and the applicable consequences – among which, at the investors' discretion, the possible constitution of guarantees or the repayment in advance of the issued amount by cash or shares and the cancellation of the commitment in absence of a different agreement – are precisely disciplined in each contract.

Furthermore, the outstanding loans contain a general commitment by TIM, whose breach is an event of default, not to implement mergers, demergers or transfer of business, involving entities outside the Group. Such event of default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the cancellation of the undrawn commitment amounts.

In the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

We finally underline that, as of December 31, 2018, no covenant, negative pledge clause or other clause relating to the above-described debt position, has in any way been breached or violated.

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(1) The case of change in control would involve the repayment in advance of the convertible bond of TIM S.p.A., as described hereafter.

TIM GROUP - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

The effects of non-recurring events and transactions on the separate consolidated income statements line items are set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	2018	2017
Revenues:		
Revenue alignment of previous years	(62)	–
Other income:		
Brazil Business Unit Tax recovery effect	37	–
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(15)	(10)
Employee benefits expenses:		
Expenses related to restructuring, rationalization and other	(233)	(697)
Other operating expenses:		
Sundry expenses and other provisions	(135)	(176)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(408)**	**(883)**
Impairment reversals (losses) on non-current assets:		
Impairment loss on Goodwill attributable to CGU Core Domestic and CGU International Wholesale	(2,590)	–
Write-down of intangible assets	–	(30)
Impact on EBIT - Operating profit (loss)	**(2,998)**	**(913)**
Finance income:		
Miscellaneus finance income	45	–
Finance expenses:		
Miscellaneous finance expenses	(38)	(26)
Impact on profit (loss) before tax from continuing operations	**(2,991)**	**(939)**
Income taxes on non-recurring items	71	262
Expenses for tax risks Sparkle case	–	(37)
Impact on profit (loss) for the year	**(2,920)**	**(714)**

TIM S.p.A. - SEPARATE INCOME STATEMENTS

(milions of euros)	2018	2018 comparable (a)	2017 (b)	Change (a-b) amount	Change (a-b) %
Revenues	**13,902**	**14,055**	**14,099**	**(44)**	**(0.3)**
Other income	252	252	459	(207)	(45.1)
Total operating revenues and other income	**14,154**	**14,307**	**14,558**	**(251)**	**(1.7)**
Acquisition of goods and services	(5,801)	(5,715)	(5,567)	(148)	(2.7)
Employee benefits expenses	(2,541)	(2,531)	(3,034)	503	16.6
Other operating expenses	(722)	(703)	(658)	(45)	(6.8)
Change in inventories	84	84	45	39	86.7
Internally generated assets	434	434	457	(23)	(5.0)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**5,608**	**5,876**	**5,801**	**75**	**1.3**
Depreciation and amortization	(3,155)	(3,259)	(3,203)	(56)	(1.7)
Gains (losses) on disposals of non-current assets	(11)	(11)	(1)	(10)	-
Impairment reversals (losses) on non-current assets	(2,683)	(2,683)	(30)	(2,653)	-
Operating profit (loss) (EBIT)	**(241)**	**(77)**	**2,567**	**(2,644)**	**-**
Income (expenses) from investments	71	71	225	(154)	(68.4)
Finance income	1,177	1,172	1,571	(399)	(25.4)
Finance expenses	(2,427)	(2,424)	(2,965)	541	18.2
Profit (loss) before tax	**(1,420)**	**(1,258)**	**1,398**	**(2,656)**	**-**
Income tax expense	(434)	(491)	(311)	(180)	(57.9)
Profit (loss) for the year	**(1,854)**	**(1,749)**	**1,087**	**(2,836)**	**-**

TIM S.p.A. - STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Statements of Comprehensive Income, including the Profit (loss) for the year, as shown in the Separate Income Statements, and all non-owner changes in equity.

(millions of euros)		2018	2017
Profit (loss) for the year	**(a)**	**(1,854)**	**1,087**
Other components of the Statement of Comprehensive Income:			
Other components that will not be reclassified subsequently to Separate Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(4)	–
Income tax effect		–	–
		(4)	**–**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		20	9
Income tax effect		(5)	(2)
		15	**7**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
		–	**–**
Total other components that will not be reclassified subsequently to Separate Income Statement	**(e=b+c+d)**	**11**	**7**
Other components that will be reclassified subsequently to Separate Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		11	(33)
Loss (profit) transferred to the Separate Income Statement		–	–
Income tax effect		(3)	9
	(f)	**8**	**(24)**
Hedging instruments:			
Profit (loss) from fair value adjustments		70	(190)
Loss (profit) transferred to the Separate Income Statement		10	393
Income tax effect		(19)	(49)
	(g)	**61**	**154**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to the Separate Income Statement		–	–
Income tax effect		–	–
	(h)	**–**	**–**
Total other components that will be reclassified subsequently to Separate Income Statement	**(i= f+g+h)**	**69**	**130**
Total other components of the Statement of Comprehensive Income	**(k= e+i)**	**80**	**137**
Total comprehensive income (loss) for the year	**(a+k)**	**(1,774)**	**1,224**

TIM S.P.A. - STATEMENTS OF FINANCIAL POSITION

(millions of euros)		12/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		24,341	27,027	(2,686)
Intangible assets with a finite useful life		6,339	4,249	2,090
		30,680	**31,276**	**(596)**
Tangible assets				
Property, plant and equipment owned		10,782	10,871	(89)
Assets held under finance leases		1,694	2,072	(378)
		12,476	**12,943**	**(467)**
Other non-current assets				
Investments		7,821	7,747	74
Non-current financial assets		1,642	1,611	31
Miscellaneous receivables and other non-current assets		1,704	1,752	(48)
Deferred tax assets		882	902	(20)
		12,049	**12,012**	**37**
Total Non-current assets	**(a)**	**55,205**	**56,231**	**(1,026)**
Current assets				
Inventories		262	178	84
Trade and miscellaneous receivables and other current assets		3,850	3,935	(85)
Current income tax receivables		166	–	166
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*793*	*1,072*	*(279)*
Cash and cash equivalents		*885*	*771*	*114*
		1,678	1,843	(165)
Total Current assets	**(b)**	**5,956**	**5,956**	**–**
Total Assets	**(a+b)**	**61,161**	**62,187**	**(1,026)**

(millions of euros)		12/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Share capital issued		11,677	11,677	–
Less: treasury shares		(21)	(21)	–
Share capital		**11,656**	**11,656**	**–**
Additional paid-in capital		**2,094**	**2,094**	**–**
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		**4,388**	**6,319**	**(1,931)**
Total Equity	**(c)**	**18,138**	**20,069**	**(1,931)**
Non-current liabilities				
Non-current financial liabilities		24,777	28,467	(3,690)
Employee benefits		1,503	1,661	(158)
Deferred tax liabilities		3	2	1
Provisions		579	595	(16)
Miscellaneous payables and other non-current liabilities		3,006	1,291	1,715
Total Non-current liabilities	**(d)**	**29,868**	**32,016**	**(2,148)**
Current liabilities				
Current financial liabilities		7,903	4,197	3,706
Trade and miscellaneous payables and oher current liabilities		5,238	5,850	(612)
Current income tax payables		14	55	(41)
Total Current Liabilities	**(e)**	**13,155**	**10,102**	**3,053**
Total Liabilities	**(f=d+e)**	**43,023**	**42,118**	**905**
Total Equity and liabilities	**(c+f)**	**61,161**	**62,187**	**(1,026)**

TIM S.P.A. - STATEMENTS OF CASH FLOWS

(millions of euros)		2018	2017
Cash flows from operating activities:			
Profit (loss) for the year		(1,854)	1,087
Adjustments for:			
Depreciation and amortization		3,155	3,203
Impairment losses (reversals) on non-current assets (including investments)		2,739	73
Net change in deferred tax assets and liabilities		(14)	(168)
Losses (gains) realized on disposals of non-current assets (including investments)		11	1
Change in provisions for employee benefits		(194)	439
Change in inventories		(84)	(45)
Change in trade receivables and net amounts due from customers on construction contracts		(65)	(16)
Change in trade payables		(174)	(538)
Net change in current income tax receivables/payables		(205)	(485)
Net change in miscellaneous receivables/payables and other assets/liabilities		(434)	99
Cash flows from (used in) operating activities	**(a)**	**2,881**	**3,650**
Cash flows from investing activities:			
Purchase of intangible assets		*(3,310)*	*(1,627)*
Purchase of tangible assets		*(1,791)*	*(2,522)*
Total purchase of intangible and tangible assets on an accrual basis		(5,101)	(4,149)
Change in amounts due for investing activities		*1,957*	*676*
Total purchase of intangible and tangible assets on a cash basis		(3,144)	(3,473)
Capital grants received		108	82
Cash and cash equivalents arising from corporate transactions		–	(243)
Acquisition/disposal of other investments		(130)	(76)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		265	(114)
Proceeds from sale of investments in subsidiaries		–	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets		24	47
Cash flows from (used in) investing activities	**(b)**	**(2,877)**	**(3,777)**
Cash flows from financing activities:			
Change in current financial liabilities and other		682	(317)
Proceeds from non-current financial liabilities (including current portion)		2,723	3,243
Repayments of non-current financial liabilities (including current portion)		(3,534)	(3,595)
Changes in hedging and non-hedging derivatives		(224)	199
Share capital proceeds/reimbursements		–	–
Dividends paid		(166)	(166)
Cash flows from (used in) financing activities	**(c)**	**(519)**	**(636)**
Aggregate cash flows	**(d=a+b+c)**	**(515)**	**(763)**
Net cash and cash equivalents at beginning of the year	**(e)**	**299**	**1,062**
Net cash and cash equivalents at end of the year	**(f=d+e)**	**(216)**	**299**

Additional Cash Flow information

(millions of euros)	2018	2017
Income taxes (paid) received	(632)	(949)
Interest expense paid	(2,034)	(2,838)
Interest income received	953	1,658
Dividends received	115	255

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2018	2017
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents	771	1,230
Bank overdrafts repayable on demand	(472)	(168)
	299	**1,062**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents	885	771
Bank overdrafts repayable on demand	(1,101)	(472)
	(216)	**299**

TIM S.P.A. - NET FINANCIAL DEBT

(millions of euros)	12/31/2018	12/31/2017	Change
Non-current financial liabilities			
Bonds	13,984	14,902	(918)
Amounts due to banks, other financial payables and liabilities	9,348	11,709	(2,361)
Finance lease liabilities	1,445	1,856	(411)
	24,777	**28,467**	**(3,690)**
Current financial liabilities [1]			
Bonds	2,126	1,528	598
Amounts due to banks, other financial payables and liabilities	5,618	2,522	3,096
Finance lease liabilities	159	147	12
	7,903	**4,197**	**3,706**
Total Gross financial debt	**32,680**	**32,664**	**16**
Non-current financial assets			
Financial receivables and other non-current financial assets	(1,642)	(1,611)	(31)
	(1,642)	**(1,611)**	**(31)**
Current financial assets			
Securities other than investments	(466)	(746)	280
Financial receivables and other current financial assets	(327)	(326)	(1)
Cash and cash equivalents	(885)	(771)	(114)
	(1,678)	**(1,843)**	**165**
Total financial assets	**(3,320)**	**(3,454)**	**134**
Net financial debt carrying amount	**29,360**	**29,210**	**150**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(1,307)	(1,414)	107
Adjusted Net Financial Debt	**28,053**	**27,796**	**257**
Breakdown as follows:			
Total adjusted gross financial debt	**30,712**	**30,298**	**414**
Total adjusted financial assets	**(2,659)**	**(2,502)**	**(157)**
[1] of which current portion of medium/long -term debt:			
Bonds	*2,126*	*1,528*	*598*
Amounts due to banks, other financial payables and liabilities	*3,372*	*1,428*	*1,944*
Finance lease liabilities	*159*	*147*	*12*

TIM S.P.A. - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE INCOME STATEMENTS

The effects of non-recurring events and transactions on the separate income statements line items are set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	2018	2017
Operating revenues and other income	**(62)**	**–**
Revenue alignment of previous years	(62)	–
Acquisition of goods and services	**(13)**	**(8)**
Professional and consulting services	(13)	(8)
Employee benefits expenses	**(221)**	**(692)**
Charges and provisions for restructuring and other	(221)	(692)
Other operating expenses	**(108)**	**(176)**
Charges and provisions for fines	(87)	(148)
Sundry expenses	**(21)**	**(28)**
Impact on operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(404)**	**(876)**
Impairment reversals (losses) on non-current assets	**(2,686)**	**(30)**
Goodwill impairment charges	(2,686)	–
Impairment losses on intangible assets	–	(30)
Impact on EBIT - Operating profit (loss)	**(3,090)**	**(906)**
Other finance income (expenses)	**(9)**	**(26)**
Impact on profit (loss) before tax from continuing operations	**(3,099)**	**(932)**
Income taxes on non-recurring items	75	261
Impact on profit (loss) for the year	**(3,024)**	**(671)**

ADOPTION OF THE NEW IFRS 9 AND IFRS 15 STANDARDS

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

IFRS 9 (Financial Instruments)

On November 22, 2016, Regulation (EU) No. 2016/2067 was issued, which adopted IFRS 9 (*Financial Instruments*) at EU level, relating to the classification, measurement, derecognition and impairment of financial assets and liabilities, and hedge accounting.
As permitted by IFRS 9, the TIM Group has opted for:

- the continued application of the hedge accounting requirements of IAS 39;
- the non-restatement of comparative information provided in the year of first application.

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

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

The business models adopted by the TIM Group are:

- *Hold to Collect*: financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; and are measured at amortized cost;
- *Hold to Collect and Sell*: monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; and are measured at fair value through other comprehensive income;
- *Hold to Sell*: monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; and are measured at fair value through profit or loss.

Financial assets other than trade receivables are written down for impairment on the basis of a general model which estimates expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial increase in its credit risk.

The expected credit loss ("**ECL**") is given by: (i) the present value at the reporting date of the financial asset, (ii) the probability that the counterparty does not meet its payment obligation (probability of default, "**PD**"), (iii) the estimate, in percentage terms, of the amount of credit that it will not be able to recover in the event of a default (loss given default, "**LGD**").
To determine the PD and LGD, reference is made to the Bloomberg credit risk model.

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

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

- *Hold to Collect*: receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within IFRS 9 category "Assets measured at amortized cost";

- *Hold to Collect and Sell*: receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and medium business customers held for sale; these instruments fall under IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, impairment is nevertheless recognized in the separate income statement.

Impairment of trade receivables and contract assets is carried out through the simplified approach allowed by the standard. This approach involves estimating the expected loss over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
In general, the methodology to recognize the expected loss differs based on the offering content, the customer cluster and payment terms.
More specifically, in the case of receivables arising from traditional services offered to consumers and businesses, the expected loss is estimated based on the trend of outstanding receivables with respect to turnover, using the values recorded for turnover generations that have completed the operating cycle as a reference, as well as parameters for measuring the most recent performance, suitable for identifying deviations from the historical trend.
As regards receivables arising from offers where products or contribution fees are paid in installments, the assessment of credit default risk for ongoing payment-by-installment plans considers the trend of the customer drop out rate and the average of sums received from such customers.
For clusters with relational-based credit management (such as major TOP customers, the public administration sector, wholesale customers, sales network dealers), information that can identify specific individual counterparty risk is used in the assessment.

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

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

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

IFRS 15 (Revenue from contracts with customers)

On September 22, 2016, Commission Regulation (EU) No. 2016/1905 was issued, which adopted IFRS 15 (*Revenue from contracts with customers*) and the related amendments at EU level. On October 31, 2017, clarifications to IFRS 15 were adopted through Commission Regulation (EU) No. 2017/1987.
IFRS 15 replaces the standards that formerly governed revenue recognition, namely IAS 18 (*Revenue*), IAS 11 (*Construction contracts*) and the related interpretations on revenue recognition (IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC 31 *Revenue – Barter transactions involving advertising services*).
The TIM Group has applied the modified retrospective approach with the recognition of the cumulative effect of the first-time application of the standard as an adjustment to the opening balance of equity for the period when the standard is adopted, without restating prior periods.

The adoption of IFRS 15 affected the recognition of revenues from fixed-line and mobile offers and the recognition of contract costs. The main differences for the TIM Group with respect to the previous accounting standards applied (IFRS 15 vs. IAS 18, IAS 11 and relative Interpretations) concern:

- **bundle offers** (bundled good and services): the allocation of contract discounts to performance obligations under IFRS 15 determines an earlier recognition of revenues, resulting in the recognition of a contract asset and, in some cases, the deferral of revenues, entailing the recognition of a contract liability;
- **activation/installation revenues:** under previous accounting policies, these were deferred over the expected duration of the customer relationship. IFRS 15 requires that such revenues – given that they are not allocated to

separate performance obligations – are allocated to other performance obligations (usually services) contained in the contract;

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

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

- the change in the types of contract costs that are deferred;
- the new approach to recognizing activation/installation revenues and the recognition of contract assets connected with the earlier recognition of revenues from bundle offers.

IMPACTS OF THE ADOPTION OF IFRS 9 AND IFRS 15

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

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

TIM GROUP

(millions of euros)	12/31/2017 Historical	IFRS 9 impacts	IFRS 15 impacts	1/1/2018 Restated
Assets				
Non-current assets				
Intangible assets				
Intangible assets with a finite useful life	7,192		(110)	7,082
Other non-current assets				
Non-current financial assets	1,768			1,768
Miscellaneous receivables and other non-current assets	2,422		(269)	2,153
Deferred tax assets	993	27		1,020
Current assets				
Trade and miscellaneous receivables and other current assets	4,959	(147)	42	4,854
Current financial assets	5,005			5,005
Total Assets	**68,783**	**(120)**	**(337)**	**68,326**
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent	21,557	(100)	17	21,474
Non-controlling interests	2,226	(7)	2	2,221
Total Equity	**23,783**	**(107)**	**19**	**23,695**
Non-current liabilities				
Miscellaneous payables and other non-current liabilities	1,678		(251)	1,427
Deferred tax liabilities	265	(11)	8	262
Current liabilities				
Trade and miscellaneous payables and other current liabilities	7,520		(113)	7,407
Current income tax payables	112	(2)		110
Total Equity and Liabilities	**68,783**	**(120)**	**(337)**	**68,326**

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(millions of euros)	12/31/2017	IFRS 9 impacts	IFRS 15 impacts	1/1/2018
Assets				
Non-current assets				
Intangible assets				
Intangible assets with a finite useful life	4,249		(78)	4,171
Other non-current assets				
Investments	7,747	2		7,749
Miscellaneous receivables and other non-current assets	1,752		(192)	1,560
Deferred tax assets	902	28		930
Current assets				
Trade and miscellaneous receivables and other current assets	3,935	(114)	19	3,840
Total Assets	**62,187**	**(84)**	**(251)**	**61,852**
Equity and Liabilities				
Equity	**20,069**	**(82)**	**88**	**20,075**
Non-current liabilities				
Miscellaneous payables and other non-current liabilities	1,291		(252)	1,039
Deferred tax liabilities	2		34	36
Current liabilities				
Trade and miscellaneous payables and oher current liabilities	5,850		(121)	5,729
Current income tax payables	55	(2)		53
Total Equity and liabilities	**62,187**	**(84)**	**(251)**	**61,852**

Impact of new accounting standards (IFRS 9 and IFRS 15) on the main line items of the separate income statement and statement of financial position for the year 2018

To enable the year-on-year comparison of the economic and financial performance for 2018, "comparable" financial position figures and "comparable" income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretations) are provided below.

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

TIM GROUP

(millions of euros)		2018 (a)	2018 comparable (b)	Impact of new standards (c=a-b)
Revenues	(1)	**18,940**	**19,109**	**(169)**
Operating expenses	(2)	(11,878)	(11,737)	(141)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**7,403**	**7,713**	**(310)**
Depreciation and amortization	(3)	(4,255)	(4,399)	144
Operating profit (loss) (EBIT)		**561**	**727**	**(166)**
Other income (expenses) from investments	(4)	11	10	1
Finance income/(expenses)	(5)	(1,348)	(1,341)	(7)
Profit (loss) before tax from continuing operations		**(777)**	**(605)**	**(172)**
Income tax expense	(6)	(375)	(433)	58
Profit (loss) for the year		**(1,152)**	**(1,038)**	**(114)**
Attributable to:				
Owners of the Parent		**(1,411)**	**(1,298)**	**(113)**
Non-controlling interests		259	260	(1)

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(millions of euros)		2018 (a)	2018 comparable (b)	Impact of new standards (c=a-b)
Revenues	(1)	**13,902**	**14,055**	**(153)**
Operating expenses	(2)	(8,546)	(8,431)	(115)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**5,608**	**5,876**	**(268)**
Depreciation and amortization	(3)	(3,155)	(3,259)	104
Operating profit (loss) (EBIT)		**(241)**	**(77)**	**(164)**
Finance income/(expenses)	(4)	(1,250)	(1,252)	2
Profit (loss) before tax		**(1,420)**	**(1,258)**	**(162)**
Income tax expense	(6)	(434)	(491)	57
Profit (loss) for the year		**(1,854)**	**(1,749)**	**(105)**

1) The change in **Revenues** was attributable to the different accounting of bundle offers and activation/installation revenues and to the discounting of revenues from sales using the deferred payment method, using a discount rate reflecting the creditworthiness of specific customers.

2) The change in **Operating expenses** was mainly due to the deferral of certain subscriber acquisition costs and contract costs that were previously expensed and to the reclassification of some contract costs from intangible assets to other non-current and current assets (cost deferral), as well as higher provisions for expected losses on trade receivables, resulting from the introduction of an expected credit loss model (replacing the incurred loss model).

3) The change in **Depreciation and amortization** was due to the reclassification of certain contract costs from intangible assets to other non-current and current assets (cost deferral).

4) The change in **Other income (expenses) from investments** was due to the different accounting of the write-downs of the Other investments, which with the new standard are recognized under other components of the statements of comprehensive income.

5) The change in **Finance income (expenses)** was due to higher provisions for expected losses on other financial assets, due to the introduction of an expected credit loss model (replacing the incurred loss model).

6) The change in **Income tax expense** shows the income tax effect of the changes illustrated above.

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

TIM GROUP

(millions of euros)	12/31/2018 (a)	12/31/2018 comparable (b)	impact of new standards (c=a-b)
Assets			
Non-current assets			
Intangible assets	35,658	35,771	(113)
Tangible assets	16,146	16,146	–
Other non-current assets	5,086	5,368	(282)
Total Non-current assets	**56,890**	**57,285**	**(395)**
Current Assets	**8,729**	**8,794**	**(65)**
Total Assets	**65,619**	**66,079**	**(460)**
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	19,528	19,716	(188)
Non-controlling interests	2,219	2,225	(6)
Total Equity	**21,747**	**21,941**	**(194)**
Non-current liabilities	**30,991**	**31,276**	**(285)**
Current liabilities	**12,881**	**12,862**	**19**
Total Liabilities	**43,872**	**44,138**	**(266)**
Total Equity and liabilities	**65,619**	**66,079**	**(460)**

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(millions of euros)	12/31/2018 (a)	12/31/2017 comparable (b)	Impact of new standards (c=a-b)
Assets			
Non-current assets			
Intangible assets	30,680	30,770	(90)
Tangible assets	12,476	12,476	–
Other non-current assets	12,049	12,265	(216)
Total Non-current assets	**55,205**	**55,511**	**(306)**
Current assets	**5,956**	**5,995**	**(39)**
Total Assets	**61,161**	**61,506**	**(345)**
Equity and Liabilities			
Total Equity	**18,138**	**18,238**	**(100)**
Total Non-current liabilities	**29,868**	**30,125**	**(257)**
Total Current Liabilities	**13,155**	**13,143**	**12**
Total Liabilities	**43,023**	**43,268**	**(245)**
Total Equity and liabilities	**61,161**	**61,506**	**(345)**

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Existing improvements - also on the supporting IT systems - relating to the process of implementing the new accounting standards, together with the high number of new commercial offers of recent months, involved recalculating the time distribution of the revenues during the first and second quarters of 2018 for some specific fixed-line and mobile contract types.

In connection with the forgoing, some first and second quarter 2018 consolidated income statement figures of the TIM Group have been recalculated. The time series of the 2018 quarters is the following:

(millions of euros)	2018			
	1° Quarter	2° Quarter	3° Quarter	4° Quarter
Revenues	**4,685**	**4,726**	**4,666**	**4,863**
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**1,793**	**1,940**	**2,045**	**1,625**
Operating profit (loss) (EBIT)	**740**	**874**	**(997)**	**(56)**
Profit (loss) before tax from continuing operations	**391**	**513**	**(1,326)**	**(355)**
Income tax expense	(156)	(141)	43	(121)
Profit (loss) for the year	**235**	**372**	**(1,283)**	**(476)**
Attributable to:				
Owners of the Parent	**199**	**333**	**(1,400)**	**(543)**
Non-controlling interests	36	39	117	67

The net cumulative impacts on the financial position figures are the following:

(millions of euros)	as at 3/31/2018	as at 6/30/2018
Current and non-current assets		
Total trade and miscellaneous receivables and other current assets	(12)	(3)
Total Assets	**(12)**	**(3)**
Equity		
Equity attributable to owners of the Parent	(17)	(22)
Total Equity	**(17)**	**(22)**
Non-current and current liabilities		
Deferred tax liabilities	(7)	(8)
Trade and miscellaneous payables and other current liabilities	12	27
Total Equity and liabilities	**(12)**	**(3)**

Recalculation of the time distribution of the revenues over the first and second quarters of 2018 did not impact the "Aggregate cash flows" of the TIM Group's statement of cash flows, and in particular the "Cash flows from (used in) operating activities".

TIM

IFRS 16 (LEASES)

IFRS 16 (Leases) was adopted in the European Union on October 31, 2017 by Commission Regulation (EU) 2017/1986. IFRS 16 replaces IAS 17 (Leases) and relative interpretations (IFRIC 4 *Determining whether an Arrangement Contains a Lease*; SIC 15 *Operating Leases – Incentives*; SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

IFRS 16 (Leases) applies retrospectively as of January 1, 2019.

According to IFRS 16, lease agreements (that are not service contracts) are accounted by the lessee through the **recognition of a financial liability** in the statements of financial position, represented by the present value of the future lease payments, against the **recognition under assets of the "right of use asset"**.

Contracts classified by the lessee as financial leases according to IAS 17, will not be subject to any change with respect to the current accounting presentation, since they will continue to be classified as finance leases in full accordance with the past.

Upon first application of IFRS 16, for the contracts already classified as operating leases according to IAS 17, the TIM Group intends to apply the modified retrospective approach recognizing a financial liability for lease agreements and the corresponding "right of use asset", measured on the basis of the remaining lease payments at the transition date.

At TIM Group level, the contracts that are in the scope of application of IFRS 16 and will have an impact in terms of accounting representation as described above, mainly refer to:

- ✓ land and buildings for office and industrial use,
- ✓ infrastructure sites for the mobile telephony network, and
- ✓ right of use on network infrastructure (when not services).

With reference to the options and exemptions provided for by IFRS 16, the TIM Group will adopt the following choices:

- ✓ IFRS 16 is usually not applied to intangible assets or to short-term (i.e. less than 12 months) and to contracts of low unit value;
- ✓ the "right of use asset" and the financial liabilities relating to lease agreements are classified in specific line items in the statements of financial position;
- ✓ any service contract component included in the lease payments is generally excluded from the IFRS 16 scope;
- ✓ contracts with similar characteristics are measured using a single discount rate;
- ✓ lease contracts already classified as finance lease under IAS 17 retain the previously recognized values.

The main impacts on the Group's consolidated financial statements, which are still being assessed and refined, may be summarized as follows:

- **Statements of financial position**: higher non-current assets due to the recognition of "right of use asset" with corresponding higher financial liabilities; as a result, **a lease liability in the range of 3.4 – 3.9 billion euros is expected to be recognized upon transition**.
- **Separate income statements**: **a positive impact on EBITDA**, due to the different nature, description, and classification of expenses (the amortization of "right of use asset" and "financial expense for interest" instead of "Lease and rental costs – payments for operating leases", as per IAS 17), **in the range of 0.6 – 0.8 billion euros for the year on a like-for-like basis**. Furthermore, the combination of the straight-line depreciation of the "right of use asset" and the application of the effective interest rate method for lease liabilities will result, compared to IAS 17, in higher income statement expenses in the first few years of the contracts and decreasing expenses in the last years of the contracts.
- **Statements of Cash Flows**: lease payments for the principal of the debt repayment will be reclassified from "Cash flows from operating activities" to "Cash flows from financing activities".

In the following Financial Statements, the TIM Group will provide all the detailed information needed to understand the impact of the new standard, providing alternative performance measures that will allow a consistent comparison with the information already reported to the market, namely EBITDA and net financial debt, adjusted for the impact of IFRS 16.

On the other hand, it should be noted that - as this is a different method of accounting presentation - the application of the new standard will not have any impact on the Group's cash generation or on financial and performance metrics, represented in comparable terms.

The process of implementing the new accounting standard entails significant updates and modifications on the IT systems, modification and updating of the control and compliance models and of their processes. The impacts are based on the current results of the analyses, have not been audited and may change since implementation process is still ongoing.

The impacts during transition are not indicative of future developments since the choices of allocating capital might change with resulting economic and financial repercussions on recognition in the financial statements.