TIM: BOARD OF DIRECTORS APPROVES THE FINANCIAL REPORT AT MARCH 31, 2020

Starting from 2019, the TIM Group adopted the IFRS 16 (Leases). Organic results:

NET PROFIT OF 591 MILLION EUROS (+ 216% YOY)

CASH GENERATION OF 923 MILLION EUROS (+ 285% YOY) FOR THE QUARTER

NET FINANCIAL DEBT DOWN BY 1.8 BILLION EUROS YOY

LOWER CONSUMER FIXED LINES LOSSES IN Q1, ZEROED IN APRIL

- **Operating free cash flow: 788 million euros, with an increase of 98 million euros YoY (+14%)**
- **Equity free cash flow: 466 million euros, with an increase of 110 million euros YoY (+31%)**
- **Net financial debt down by 923 million euros for the quarter and 1.8 billion euros YoY**
- **Net financial debt after lease: 21.7 billion euros**
- **Service revenues: 3.7 billion euros (-6.6% YoY), affected by the Covid emergency lockdown in addition to the ongoing product portfolio rationalization and the more disciplined commercial conduct begun last year**
- **Organic EBITDA: 1.8 billion euros (-7.5% YoY)**
- **Exclusive concession granted to a consortium led by Ardian Infrastructure and participated by Canson Capital Partners for the acquisition of a minority stake in the holding which will hold TIM's stake in INWIT**
- **Exclusive negotiation with KKR for the valorization of the passive fixed network ongoing**
- **In Brazil, negotiations continue for TIM and Telefonica to acquire OI's mobile business. The process to select a partner for TIM Live in expanding the fiber network started**

Roma, 18 May 2020

In today's meeting, TIM's Board of Directors chaired by Salvatore Rossi approved the TIM Group's Financial Information at March 31, 2020.

The path of improvement in cash generation and debt reduction continues as a result of both operational and extraordinary action, thanks to the progressive implementation of the strategic initiatives launched in 2019.
This improvement is also the result of a rationalization of the product portfolio and more disciplined commercial conduct, which lead to a fall in revenues in the short term, but a significant increase in cash generation and, above all, in customer satisfaction, strongly improved in 2020.

In relation to the current health emergency, the Company has adopted extremely prudent measures to protect the health of its employees and partners, and has constantly ensured full operations and service, where necessary adapting plans and programs to the new situation. TIM has also increased the capacity and coverage of its networks, facing the traffic increase related to the lockdown (up to a maximum of 80% in landline, 30-40% in mobile and 11 times in video applications for remote working) and has supported its customers and communities in Italy and Brazil with initiatives aimed at families, businesses, civil protection, schools, hospitals and prisons.
The financial results have been impacted by the effects of shop closures and therefore product sales, and by reduced roaming traffic to and from abroad. However, in contrast to a short-term downturn, the medium-long term outlook is positive, following the strong acceleration in the adoption of digital services and connectivity that appears to be moving Italy towards closing its fixed ultrabroadband penetration gap versus the rest of Europe, as well as to reverse the trend of fixed-mobile replacement.
In this context, the Government has announced a school, voucher and "gray areas" plan, an initiative worth 2.7 billion euros in support of broadband demand and the development of infrastructure for schools, businesses and communities in areas where connection speed can improve.

Operating free cash flow reached 788 million **euros**, +14% compared to the first quarter of 2019, due to the continuous reduction of costs and the optimization of working capital management. **Equity free cash flow** stood at **466** million euros, +31% YoY.

Consequently, the net financial debt at March 31 has fallen by over 923 million euros since the end of 2019, standing at **26.7 billion euros, or 21.7 billion euros after lease**.

Significant progress has been made in the implementation **of strategic initiatives:**

- **Network-sharing partnership with INWIT and Vodafone Italia**: the INWIT with Vodafone Towers merger was finalized on March 31 and the free float increased through an "ABB" (Accelerated Book Building), which brought TIM and Vodafone's equal stake in INWIT from 37.5% to 33.2%. The overall contribution to the reduction of TIM's debt is around 650 million euros, taking into account the extraordinary dividend (0.2 billion euros) and placement of 4.3% of INWIT (0.4 billion euros), in addition to the ordinary dividend, which will be collected on May 20. TIM also granted Ardian Infrastructure an exclusive negotiation period for the acquisition of a minority stake in the holding company which will hold TIM's shareholding in INWIT and remain under the full control of TIM.
- **Fiber networks**: negotiations continue with KKR for the sale of a minority share of the secondary network, from cabinets to buildings. The plan provides for a binding offer following the ongoing due diligence.
- **Partnership for Cloud Services:** the partnership with Google Cloud is operational and the initial negotiations for the offer of joint services to Italian companies were concluded in the first quarter. TIM and Google also launched, in partnership with Banca Intesa, a suite of cloud services to facilitate the operations of small and medium-sized enterprises during the lockdown period.

- **TIMVISION:** in the first quarter, the TIMVISION content offer was further expanded thanks to the partnership for the exclusive distribution of Disney+ in Italy, which has already seen an high number of subscriptions.
- **In Brazil**, negotiations continue for TIM Brasil and Telefonica to acquire the Oi mobile business. An initiative has also been launched to accelerate development of the fiber network, with plans to open TIM Live's capital to a strategic partner after its carve out.

In the first quarter of 2020, **revenues from Group services** amounted to **3.7** billion euros (-6.6% YoY), while total revenues stood at 4.0 billion euros (-8.4% YoY), impacted by the reduction of customer numbers in stores during the lockdown.

In the Italian **mobile** market, Mobile Number Portability fell further compared to the previous quarter, benefiting from the growing market rationality and, for the month of March, lower trading volumes caused by the lockdown. The growing awareness of the importance of accessing the web on quality networks led to a **positive MNP balance** for TIM for the first time in the last two years in March, despite persistent competition in the most price sensitive market segment.

The total number of TIM mobile lines stood at EUR 30.5 million at the end of March, down 1.2% compared to the previous quarter, following the impact of the lockdown on gross activations, which conversely benefited the disconnection rate (churn 5.3%, -0.2 percentage points compared to the fourth quarter of 2019), with a further improvement recorded in the month of April.

In the **fixed** line segment, migration of the customer base to ultrabroadband accelerated compared to the previous quarter: 119,000 net increases (+105,000 in the previous quarter).
There were no price increases again in the first quarter of 2020. The total number of **fiber lines**, Retail and Wholesale, reached **7.3 million** units, up 22% YoY and 5% compared to the previous quarter.
In the Business segment, the growth in ICT revenues continued, confirming and consolidating TIM's leadership both in terms of supply and market presence.

In **Domestic Wholesale**, revenues from services increased by 0.6% YoY, benefiting from the continuous migration of customers from copper to fiber (240,000 net acquisitions compared to 233,000 in the fourth quarter of 2019).

In Brazil, TIM increased service revenues by 1.6% YoY, despite the initial effects of the health crisis and adverse macroeconomic trends.

Group organic EBITDA was 1.8 billion euros, (-7.5% YoY), thanks to the cost savings that partially offset the reduction in revenues. Indeed, the margin on revenues increased by 0.5 percentage points YoY, standing at 44.6% in the quarter. The EBITDA of the Domestic Business Unit came to 1.4 billion euros (-11.1% YoY), while the EBITDA of TIM Brasil went up 8.1% YoY.

Group EBITDA after leases totaled **1.5 billion euros** (-8.5% YoY on an organic basis).

At Group level, investments in the first quarter amounted to 599 million Euros, an increase of 2.2% YoY, net of the exchange rate effect, following a greater concentration in the first quarter of investments in IT infrastructure and network in Brazil compared to last year (+ 39.1% YoY), which will decrease in the following quarters, and a slowdown in investments in Italy (-8,6%).

The **reported net profit** attributable to shareholders of the parent company amounted to 0.6 billion euros (+ 239% YoY), benefiting from the reduction in depreciation and amortization, financial charges and taxes, in addition to the net capital gain recorded following the merger of INWIT with Vodafone, equal to 441 million euros.

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The Board of Directors appreciated the initiatives put in place by the Company during the ongoing health emergency in favor of the families, businesses and Public Administration, which reaffirmed the importance of accelerating the digitalization of the country. TIM has proven to be central in ensuring Italy a robust and efficient telecommunications infrastructure and in this perspective the Council hopes that the Government will take an initiative among all the parties involved to reach a single access network arriving in the homes of all Italians.

The Board of Directors also expressed its condolences for the passing of Eng. Mauro Sentinelli who represented a reference figure in the history of the Company and of telephony in Italy. The Board has therefore decided to name the two main meeting rooms of Rome Headquarters in Corso d'Italia to Mauro Sentinelli and Ernesto Pascale to commemorate their memory.

NON-FINANCIAL PERFORMANCE

The environmental, social and governance (ESG) commitments, included in the 2020-2022 Strategic Plan, represent the Group's concrete commitment to achieving the 2030 Agenda goals; furthermore, for the first time, ensuring the least possible waste of natural resources, combating climate change, customer satisfaction and engaging TIM's people have been included as targets in managerial incentive plans. Finally, sustainability governance has also been strengthened, with the evolution of the Strategic Committee's mission, including the task of monitoring the consistency of TIM's objectives and management with ESG criteria.
During the quarter, TIM was confirmed in the Euronext VigeoEiris index, in addition to its presence in the Dow Jones Sustainability Index Europe and other important sustainability ratings.

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The results for the first quarter of 2020 will be outlined to the financial community during a webcast and audio conference on May 19, 2020. The event will start at 2 pm (Italian time). The presentation will be followed by a Q&A session. Journalists can follow the presentation by telephone and via the internet, without being able to ask questions, by calling the number +39 06 33444 and listening to the instructions for attending conference or following the audio streaming at this link

The presentation slides will be available at this link

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TIM voluntarily writes and publishes periodic financial information referring to the first and third quarter of each year as part of its corporate policy on regular financial and operating performance disclosure addressed to the market and to investors, in line with the best market practices.

The consolidated figures of the TIM Group presented in this periodic financial information at March 31, 2020 have been prepared in compliance with the International Financial Reporting Standards issued by the IASB and endorsed by the EU; such figures are unaudited.
The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2019, to which reference should be made, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2020. Readers are reminded that the TIM Group adopted IFRS 16 (Leases) starting from January 1, 2019.

TIM Group, in addition to the conventional financial performance measures established by the 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 refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt. Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance indicators:

- ***EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the finance leasing contracts according to IFRS 16 (applied starting from 2019);***
- ***Adjusted net financial debt After Lease, calculated by excluding the liabilities connected with the accounting treatment of the finance leasing contracts from the adjusted net financial debt according to IFRS 16 (applied starting from 2019).***

The meaning and content of the alternative performance indicators are explained in the annex and the analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is provided.

Lastly, the section entitled "Business Outlook for the accounting year 2020" contains forward-looking statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of this release are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control. Please refer to the chapter "Main risks and uncertainties" and the contents of the Annual Financial Report at December 31, 2019 for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION OF THE TIM GROUP

The main change in the scope of consolidation that took place during the first quarter of 2020, was the following:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit):* on March 31, 2020 the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. was completed. The transaction, which enables the creation of Italy's leading tower operator, entailed the dilution of the TIM Group's stake in the capital of INWIT from 60% to 37.5%; therefore, as of March 31, 2020, INWIT S.p.A. is accounted for using the equity method. Since INWIT is presented as an "Asset held for sale" in the Consolidated Financial Statements at December 31, 2019, the consolidated income and cash flows for the first quarter of 2020 include the 1Q 2020 figures of INWIT S.p.A. net of amortization for the period, as required by IFRS 5.

In the first quarter of 2019, there were no significant changes in the scope of consolidation.

TIM GROUP RESULTS FOR THE FIRST QUARTER 2020

Total TIM Group revenues for the first quarter of 2020, amounted to **3,964 million euros**, down 11.3% compared to the first quarter of 2019 (4,471 million euros); organic change in total revenues was -8.4%.
TIM Group services revenues amounted to **3,688 million euros**, down 9.7% compared to the first quarter of 2019 (4.1 billion euros); organic change in services revenues was -6.6%.

The breakdown of total revenues for the first quarter of 2020, by operating segment in comparison with 2019 is as follows:

(millions of euros)	1st Quarter 2020		1st Quarter 2019		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	3,113	78.5	3,502	78.3	(389)	(11.1)	(10.6)
Brazil	859	21.7	979	21.9	(120)	(12.3)	0.6
Other Operations	3	0.1	–	–	3		
Adjustments and eliminations	(11)	(0.3)	(10)	(0.2)	(1)		
Consolidated Total	**3,964**	**100.0**	**4,471**	**100.0**	**(507)**	**(11.3)**	**(8.4)**

The organic change in consolidated Group revenues for the first quarter of 2020 is calculated by excluding the negative effect of exchange rate changes [11] equal to -124 million euros, adjustments of non-recurring revenues of 15 million euros and changes in the scope of consolidation (Persidera) for 18 million euros. Adjustments of non-recurring revenues for the first quarter of 2020 are linked to TIM S.p.A.'s commercial initiatives to support customers for the COVID-19 emergency. The first quarter of 2019 was affected by non-recurring expenses of 14 million euros attributable to adjustments to revenues from previous years.

EBITDA for the first quarter of 2020 is **1,735 million euros** (1,946 million euros in the first quarter of 2019; -10.8%), with an EBITDA margin of 43.8% (43.5% in the first quarter of 2019; +0.3 percentage points).

The breakdown of EBITDA by operating segment for the first quarter of 2020, in comparison with the first quarter of 2019, is shown below, together with the EBITDA margin.

(millions of euros)	1st Quarter 2020		1st Quarter 2019		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	1,346	77.6	1,534	78.8	(188)	(12.3)	(11.1)
% of Revenues	*43.2*		*43.8*			*(0.6) pp*	*(0.2) pp*
Brazil	390	22.5	414	21.3	(24)	(5.8)	8.1
% of Revenues	*45.5*		*42.3*			*3.2 pp*	*3.2 pp*
Other Operations	(2)	(0.1)	(2)	(0.1)	–		
Adjustments and eliminations	*1*	–	–		*1*		
Consolidated Total	**1,735**	**100.0**	**1,946**	**100.0**	**(211)**	**(10.8)**	**(7.5)**
% of Revenues	*43.8*		*43.5*			*0.3 pp*	*0.5 pp*

Organic EBITDA **- net of the non-recurring items** amounted to **1,774 million euros**; the EBITDA margin was 44.6% (1,917 million euros in the first quarter of 2019, with an EBITDA margin of 44.1%).

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

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes	
			amount	%
EBITDA	**1,735**	**1,946**	**(211)**	**(10.8)**

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 4.90557 for the Brazilian real in the first quarter of 2020 and 4.27983 in the first quarter of 2019. For the US dollar, the average exchange rates used were 1.10298 in the first quarter of 2020 and 1.13592 in the first quarter of 2019. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

Foreign currency financial statements translation effect		(53)	53	
Changes in the scope of consolidation		(10)	10	
Non-recurring expenses (Income)	39	34	5	
ORGANIC EBITDA, excluding Non-recurring items	**1,774**	**1,917**	**(143)**	**(7.5)**

In particular, in the first quarter of 2020, the TIM Group recorded non-recurring expenses for a total of 39 million euros, of which 26 million euros were attributable to the COVID-19 emergency in Italy and related to the impact of TIM S.p.A.'s commercial initiatives to support customers, as well as the first effects of macroeconomic difficulties on provisions and charges related to credit management.
In the first quarter of 2019, net non-recurring operating expenses amounted to 34 million euros and were mainly related to regulatory disputes and other provisions, as well as to adjustments to revenues from previous years.

EBIT for the first quarter of 2020, was **533 million euros** (683 million euros in the first quarter of 2019).

Organic EBIT, net of the non-recurring component, amounted to 572 million euros (699 million euros for the first quarter of 2019), with an EBIT margin of 14.4% (16.1% for the first quarter of 2019).

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

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes	
			amount	%
EBIT	**533**	**683**	**(150)**	**(22.0)**
Foreign currency financial statements translation effect		(13)	13	
Effect of changes in the scope of consolidation		(5)	5	
Non-recurring expenses (Income)	39	34	5	
ORGANIC EBIT, excluding Non-recurring items	**572**	**699**	**(127)**	**(18.2)**

Other income (expense) from equity investments, equal to 441 million euros, relate to the net capital gain accounted for following the dilution from 60% to 37.5% of the TIM Group's investment in the share capital of INWIT S.p.A., as a result of the merger of INWIT with Vodafone Towers.

Net profit attributable to Owners of the Parent for the first quarter of 2020, was 560 million euros (165 million euros in the first quarter of 2019).

The **personnel** of the TIM Group at March 31, 2020 is **54,969 units**, of which 45,146 in Italy (55,198 units at December 31, 2019, of which 45,266 in Italy), with a reduction of 229 units compared to December 31, 2019, of which -120 units in Italy (mainly due to INWIT's exit from the scope of consolidation). Compared to March 31, 2019 the reduction is equal to 2,571 units.

The breakdown of **Capex**, equal to **599 million euros** in the first quarter of 2020 (607 million euros in the first quarter of 2019), by operating segment is as follows:

(millions of euros)	1st Quarter 2020		1st Quarter 2019		Change
		% of total		% of total	
Domestic	414	69.1	455	75.0	(41)
Brazil	185	30.9	152	25.0	33
Other Operations	–	–	–	–	–
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**599**	**100.0**	**607**	**100.0**	**(8)**

% of Revenues	*15.1*	*13.6*	*1.5 pp*

In particular:

- the **Domestic Business Unit** reported expenditures of 414 million euros, down 41 million euros compared to the first quarter of 2019, mainly due to a shift of some planned activities, also as a result of restrictions imposed by the COVID-19 emergency;
- the **Brazil Business Unit** reported expenditures of 185 million euros, an increase of 33 million euros compared to the first quarter of 2019 (152 million euros). Excluding the impact of changes in exchange rates (-19 million euros), capex grew by 52 million euros, mainly to strengthen the mobile ultrabroadband infrastructure and the development of the fixed broadband business of TIM Live, combined with a higher concentration of investments in the first quarter compared to last year.

The **Group Operating Free cash flow** totaled 788 million euros (690 million euros in the first quarter of 2019, +98 million euros).

Adjusted net financial debt amounted to 26,745 million euros at March 31, 2020, **a decrease of 923 million euros compared to December 31, 2019** (27,668 million euros). In addition to a solid generation of operating cash flows, achieved by optimizing working capital, the deconsolidation of INWIT's debt (643 million euros compared to December 31, 2019) contributed to the reduction, which largely offset the rise in new debt for financial leases with INWIT, now a jointly controlled company (368 million euros) against the simultaneous closing of financial leases with Vodafone (214 million euros).

For a better understanding of the information, the various methods of representing the Net Financial Debt are explained in the following table:

(millions of euros)	**3/31/2020 (a)**	**12/31/2019 (b)**	**Change (a-b)**
Net financial debt carrying amount	**26,569**	**28,246**	**(1,677)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*176*	*(578)*	*754*
Adjusted Net Financial Debt	**26,745**	**27,668**	**(923)**
Leasing	*(5,034)*	*(5,204)*	*170*
Leasing - Discontinued operations/Non-current assets held for sale	*–*	*(571)*	*571*
Adjusted net financial debt - After Lease	**21,711**	**21,893**	**(182)**

The **Net financial debt carrying amount** amounted to 26,569 million euros at March 31, 2020, a decrease of 1,677 million euros compared to December 31, 2019 (28,246 million euros).

The fair value measurement of derivatives and related financial liabilities/assets recorded a change of 754 million euros compared to December 31, 2019 following the fall in US dollar interest rates and the relevant revaluation of hedging on US currency bonds. This change, that hasn't monetary effects, is adjusted from the Net Financial Debt carrying amount.

Adjusted Net Financial Debt - After Lease (net of the impact of all leases), **a standard adopted by the main European peers**, at March 31, 2020 was equal to 21,711 million euros, a decrease of 182 million euros compared to December 31, 2019 (21,893 million euros). This decrease is equal to 378 million euros net of the exchange rate effect, the deconsolidation of INWIT and one-off payments relating to the transaction with SKY and some regulatory items.

The TIM Group's available **liquidity margin** amounted to 9,089 million euros, equal to the sum of:

- "Cash and cash equivalents" and the "Current securities other than investments" for a total of 4,089 million euros (4,015 million euros at December 31, 2019), also including 367 million euros in repurchase agreements expiring by September 2020;
- Revolving Credit Facility amounting to 5,000 million euros, totally available.

This margin is sufficient to cover Group financial liabilities (current and otherwise) falling due over the next 24 months.

It should also be noted that sales without recourse of trade receivables to factoring companies completed during the first quarter of 2020 resulted in a positive effect on the adjusted net financial debt at March 31, 2020, amounting to 1,321 million euros (1,958 million euros at December 31, 2019).

RESULTS OF THE BUSINESS UNITS

DOMESTIC

Domestic Business Unit revenues amounted to 3,113 million euros, down 389 million euros compared to the first quarter of 2019 (-11.1%) and were affected by a challenging competitive context and, with particular reference to the Mobile market, restrictions related to the COVID-19 emergency. **Organic revenues, net of the non-recurring component**, amounted to 3,128 million euros (-371 million euros compared to the first quarter of 2019, -10.6%); in particular, revenues for the first quarter of 2020 were affected by an overall negative impact of 15 million euros referring to adjustments of revenues connected to TIM S.p.A.'s commercial initiatives to support customers in facing the COVID-19 emergency. The first quarter of 2019 was affected by non-recurring revenues of 14 million euros attributable to adjustments to revenues from previous years.

Revenues from stand-alone services amounted to 2,861 million euros (-294 million euros compared to the first quarter of 2019, equal to -9.3%) and were affected by the impact of the regulatory and competitive context in terms of the reduction of both the customer base and ARPU levels. **Revenues from organic stand-alone services, net of the** aforementioned **non-recurring component**, amounted to 2,876 million euros (-276 million euros compared to the first quarter of 2019, -8.8%).

In detail:

- **revenues from Fixed market stand-alone services** amounted to 2,153 million euros, down 241 million euros in **organic** terms (-10.1%) compared to the first quarter of 2019. The natural decline of revenues from voice services connected to decreased accesses was accompanied by a fall in ARPU levels as a result of more rigorous commercial discipline, with a consequent fall also in revenues from broadband services (-61 million euros compared to the first quarter of 2019, -9.5%), partially offset by the growth in revenues from ICT solutions (+ 15 million euros compared to the first quarter of 2019, equal to + 8.1%);
- **revenues from mobile market stand-alone services** amounted to 856 million euros (-60 million euros compared to the first quarter of 2019, -6.5%) and were pulled lower by the impact of the regulatory and competitive context, with a fall in customer base and ARPU levels, as well as the effects of the health emergency. In **organic terms, net of the** aforementioned **non-recurring component**, Mobile stand-alone services revenues amounted to 870 million euros (-46 million euros compared to the first quarter of 2019, equal to -4.9%), highlighting, in particular, an improvement in organic ARPU from broadband services compared to the first quarter of 2019.

Revenues for Handsets and Bundles & handsets, including the change in work in progress, amounted to 252 million euros in the first quarter of 2020, a decrease of 95 million euros compared to the first quarter of 2019, also due to lower footfall for sales outlets following the lockdown measures related to the COVID-19 emergency.

As regards the market segments of the Domestic Business Unit, please note the following changes compared to the first quarter of 2019:

- **Consumer**: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; includes the company TIM Retail, which coordinates the activities of flagship stores. In **organic terms**, **net of the** aforementioned **non-recurring component**, the revenues for the Consumer segment amounted to 1,478 million euros and show a decrease, compared to the first quarter of 2019, of 215 million euros (-12.7%), also due to the effect of the changed competitive and regulatory context. The trend seen in total revenues also applied to revenues from stand-alone services, which amounted to 1,325 million euros, down by 152 million euros compared to the previous year (-10.3%). In particular:

    - **revenues from stand-alone Mobile Services** amounted to 587 million euros and recorded a decrease of 28 million euros (-4.6%) compared to the first quarter of 2019, attributable to the cut in incoming interconnection tariffs in addition to the still intense competition in the low end of the market.
    - **revenues from Fixed market stand-alone services** amounted to 745 million euros, down compared to the first quarter of 2019 (-123 million euros, equal to -14.2%); this trend is characterized by decreased accesses and ARPU levels. The growth of Broadband customers is highlighted, in particular Ultra Broadband.

  Revenues for Handsets and Bundles & handsets in the Consumer segment amounted to 153 million euros, down 62 million euros compared to the first quarter of 2019 (-29.1%), concentrated on the mobile sector following the change in the product sales strategy, focused on protecting margins. The restrictions placed on movements related to the COVID-19 health emergency also had an impact on performance: in March the volumes of smartphones sold fell drastically compared to both 2019 and January and February 2020.

- **Business**: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets. The segment includes the companies Olivetti, TI Trust Technologies and Telsy. In organic terms**, net of the** aforementioned **non-recurring component**, revenues for the Business segment amounted to 996 million euros, down by 145 million euros on the first quarter of 2019 (-12.8%, of which -11.2% for revenues from the stand-alone services component). In particular:

  - **mobile revenues** show a negative performance compared to the first quarter of 2019 (-10.2 %), with a reduction of 28 million euros, driven mainly by lower revenues from stand-alone services (-9.9%) from the reduction in ARPU levels;
  - **Fixed-line revenues** fell by 119 million euros compared to the first quarter of 2019 (-13.5%) with a decrease in revenues from services (-11.5%): lower prices and revenues from traditional services (also connected with the technological shift towards VoIP systems and solutions) were only partially offset by growth in revenues from ICT services.

- **National Wholesale Market:** the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed-line and Mobile telecommunications operators in the domestic market. The segment includes the companies TN Fiber, TI San Marino and Telefonia Mobile Sammarinese. The National Wholesale Market segment revenues in the first quarter of 2020, reached 437 million euros, up by 14 million euros (+3.3%) compared to the first quarter of 2019, with a positive performance mainly driven by the growth in accesses in the Ultra Broadband segment.
- **International Wholesale Market**: includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets. Revenues for the International Wholesale Market segment for the first quarter of 2020 totaled 221 million euros, showing a drop of 17 million euros (-7.1%) on the first quarter of 2019 figure, with negligible effects on EBITDA. This trend is mainly connected to the new positioning of Telecom Italia Sparkle in the Voice business, with better focused contracts having higher margins, also in a perspective of simplifying and streamlining operating processes.

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The Domestic Business Unit's EBITDA for the first quarter of 2020 was 1,346 million euros, down 188 million euros on the first quarter of 2019 (-12.3%), with an EBIT margin of 43.2% (-0.6 percentage points compared to the same period of the previous financial year).
Organic EBITDA, net of the non-recurring component, amounted to 1,385 million euros, down 173 million euros (-11.1%) compared to the first quarter of 2019. In particular, EBITDA for the first quarter of 2020, was negatively impacted by a total of 39 million euros, of which 26 million euros were attributable to the COVID-19 emergency in Italy and related to the impact of TIM S.p.A.'s commercial initiatives to support customers, as well as the first effects of macroeconomic difficulties for provisions and charges related to credit management.

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

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes amount	Changes %
EBITDA	**1,346**	**1,534**	**(188)**	**(12.3)**
Effect of changes in the scope of consolidation	–	(10)	10	
Non-recurring expenses (Income)	39	34	5	
ORGANIC EBITDA, excluding Non-recurring items	**1,385**	**1,558**	**(173)**	**(11.1)**

In the first quarter of 2020, the depreciation and amortization and capital losses from the disposal of non-current assets amounted to 904 million euros (946 million euros in the first quarter of 2019).

The Domestic Business Unit's EBIT for the first quarter of 2020 was 430 million euros, down 154 million euros on the first quarter of 2019 (-26.4%), with an EBIT margin of 13.8% (-2.9 percentage points compared to the same period of the previous financial year).

Organic EBIT, net of the non-recurring component, amounted to 469 million euros, down by 144 million euros compared to the first quarter of 2019 (-23.5%), with an EBIT margin of 15.0% (17.5% for the first quarter of 2019).

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

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes	
			amount	%
EBIT	**430**	**584**	**(154)**	**(26.4)**
Effect of changes in the scope of consolidation	–	(5)	5	
Non-recurring expenses (Income)	39	34	5	
ORGANIC EBIT, excluding Non-recurring items	**469**	**613**	**(144)**	**(23.5)**

Personnel totaled 45,380 units (45,496 units at December 31, 2019), posting a reduction of 116 units.

BRAZIL (AVERAGE REAL/EURO EXCHANGE RATE 4.90557)

Revenues for the first quarter of 2020 for the TIM Brasil group amounted to 4,215 million reais, up by 24 million reais compared to the first quarter of 2019 (+0.6%).

Revenues from services totaled 4,091 million reais, an increase of 66 million reais compared to 4,025 million reais of the first quarter of 2019 (+1.6%).

Revenues from product sales totaled 124 million reais (166 million reais for the first quarter of 2019). The downturn reflects the impact of the two-week shutdown in March 2020, due to the COVID-19 emergency. The sales policy of the Tim Brasil group is still focused more on value than on increasing sales volumes.
In particular, the main goals of the new strategy are to increase purchases of new connected devices giving TIM customers access to broadband services on 3G/4G networks and to support new retention offerings for higher-value postpaid customers.

Mobile ARPU was 23.9 reais in the first quarter of 2020, up 4.8% on the 22.8 reais recorded in the first quarter of 2019, thanks to the global repositioning towards the postpaid segment and new commercial initiatives aimed at promoting data use and the average spend per customer.

Total lines in place at March 31, 2020 amounted to 52.8 million, showing a decline of 1.6 million compared to December 31, 2019 (54.4 million). The lower figure was driven entirely by the prepaid segment (-1.8 million), only partially offset by growth in the postpaid segment (+0.2 million), in part due to the consolidation underway in the market for second SIM cards. Postpaid customers accounted for 41.0% of the customer base at March 31, 2020, an increase of 1.6 percentage points on December 2019 (39.4%).

EBITDA for the first quarter of 2020 amounted to 1,916 million reais, an increase of 144 million reais compared to the first quarter of 2019 (+ 8.1%). The growth in EBITDA is attributable to both the positive performance of revenues and the benefits from projects to improve the efficiency of the operating cost structure.

The **EBITDA margin** for the first quarter of 2020, stood at 45.5%, an increase of 3.2 percentage points compared to the first quarter of 2019 (42.3%).

EBIT for the first quarter of 2020, amounted to 515 million reais, an increase of 81 million reais (+18.7%) compared to the first quarter of 2019 (434 million reais). The growth was mainly due to the growth in EBITDA (+144 million reais) partially offset by higher depreciation and amortization (+60 million reais).

In the first quarter of 2020, the spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) went from 4.52808 at December 31, 2019 to 5.69569 at March 31, 2020. This led, among other things, to the 175 million euro fall in the value of goodwill attributed to the Brazil Cash Generating Unit expressed in euros.

Personnel totaled 9,576 units posting a reduction of 113 units compared to December 31, 2019 (9,689 units).

AFTER LEASE INDICATORS

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

EBITDA ADJUSTED AFTER LEASE - TIM GROUP

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes amount	Changes %
ORGANIC EBITDA - excluding Non-recurring items	**1,774**	**1,917**	**(143)**	**(7.5)**
Payments for leasing	(233)	(234)	1	(0.3)
EBITDA adjusted After Lease (EBITDA-AL)	**1,541**	**1,683**	**(142)**	**(8.5)**

EBITDA ADJUSTED AFTER LEASE - DOMESTIC

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes amount	Changes %
ORGANIC EBITDA - excluding Non-recurring items	**1,385**	**1,558**	**(173)**	**(11.1)**
Payments for leasing	(146)	(157)	11	(7.0)
EBITDA adjusted After Lease (EBITDA-AL)	**1,239**	**1,401**	**(162)**	**(11.6)**

EBITDA ADJUSTED AFTER LEASE - BRAZIL

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Changes amount	Changes %
ORGANIC EBITDA - excluding Non-recurring items	**390**	**361**	**29**	**8.1**
Payments for leasing	(87)	(77)	(10)	(13.4)
EBITDA adjusted After Lease (EBITDA-AL)	**303**	**284**	**19**	**6.6**

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(millions of euros)	3/31/2020	12/31/2019	Change
Adjusted net financial debt	**26,745**	**27,668**	**(923)**
Leasing	(5,034)	(5,775)	741
Adjusted net financial debt - After Lease	**21,711**	**21,893**	**(182)**

BUSINESS OUTLOOK FOR THE YEAR 2020

We are going through an extraordinary and unprecedented period of health emergency worldwide, which has resulted in high uncertainty and signs of economic recession. The TIM Group has promptly put in place all the necessary actions to mitigate the effects of this economic situation, including a plan to contain costs and increase investment efficiency. Furthermore, constant monitoring of the health emergency effects on the business and macroeconomic variables, will allow potential impacts on the Group's plans to be identified promptly and all the necessary mitigation actions to be put in place. We therefore expect to be able to preserve 2020 EBITDA – CAPEX guidance as well as the 2021-22 guidance, including cumulated 2020-22 Equity Free Cash Flow guidance equal to Euro 4.5-5 billion. Compared to what announced during the Capital Market Day, the debt reduction guidance could improve to reflect INWIT's Accelerated Book Building and the potential transaction with Ardian.

EVENTS SUBSEQUENT TO MARCH 31, 2020

NEW CREDIT AGREEMENT WITH THE BANK OF NOVA SCOTIA

On April 7, 2020, the Brazilian company TIM S.A. signed a new credit agreement with The Bank of Nova Scotia for an amount of 574 million reais denominated in US dollars, guaranteed by TIM Participações, fully covering the exchange rate risk. The post-hedge cost is 155.0% and the disbursement took place on April 22, 2020, with a maturity of one year. The transaction aims to strengthen the liquidity margin in the scenario of global uncertainty due to COVID-19.

SALE OF 41.7 MILLION INWIT SHARES

See the press release issued on April 23, 2020.

NEW REVOLVING CREDIT LINE OF 1.7 BILLION EUROS

On today's date, TIM S.p.A. signed a new credit line agreement ("Credit Line") of EUR 1.7 billion, with a group of leading international banks, available to finance the Group's activities.
The Credit Line, structured as a Bridge to bond for subsequent issues on the bond market, can also be used as a single solution for the entire amount and has an initial maturity of 12 months with an option for the Company to extend it for a further 12 months.
The Credit Facility is additional to the Company's existing Revolving Credit Facility of €5.0 billion (totally undrawn) and other Bi-lateral credit lines.
This transaction further strengthens TIM's outstanding liquidity position (all maturities covered for 3 years) and the continuing strong appetite for TIM's debt instruments.

GRANTED EXCLUSIVITY TO A CONSORTIUM LED BY ARDIAN INFRASTRUCTURE AND PARTICIPATED BY CANSON CAPITAL PARTNERS FOR THE ACQUISITION OF A MINORITY STAKE IN THE HOLDING THAT WILL MAINTAIN THE CONTROL OF TIM SHARE IN INWIT

TIM has also granted to a consortium led by Ardian Infrastructure and with the participation of Canson Capital Partners an exclusive negotiation period for the acquisition of a minority stake in the holding company which will hold TIM's stake in INWIT and which will remain in full control of TIM.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation. The TIM Group has adopted an Enterprise Risk Management Model based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (ERM CoSO

Report), which enables the identification and management of risk in a uniform manner across the Group companies, highlighting potential synergies among the actors involved in the assessment of the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.
Moreover, the business outlook for 2020 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.
In this context we must highlight the health emergency due to the recent spread of the COVID-19 virus, qualified as a pandemic by the World Health Organization (WHO). In addition to the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of certain customer segments, this pandemic could lead to slowdowns in business activities, resulting from measures issued by national and foreign authorities, the consequent restructuring of internal work organization with most activities carried out remotely and limitation of certain types of technical and commercial work, hardship among customers and problems in the supply chain, with negative impacts on the overall results of the Group. Also in consideration of the public service provided, the management of this emergency requires all possible actions to be taken relating to the operational continuity of business processes, with the aim of ensuring the functionality of the services provided and the protection of employees' health.
In addition, non-exhaustively, the following additional factors are mentioned: a change in market context, entry of new potential competitors in the fixed-line and mobile sphere, the initiation of procedures by Authorities and consequent delays in the implementation of new strategies, any constraints connected to the exercise of the Golden Power by the Government with effects – currently not foreseeable – in terms of strategic choices and progress of the already announced three-year objectives which may entail, for some, different timing than that initially scheduled or relative achievement with new and more articulated paths.

RISKS RELATED TO MACRO-ECONOMIC FACTORS

The TIM Group's economic and financial situation depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates and exchange rates in the markets where it operates. In 2019, GDP grew by 0.3% compared to +0.8% in 2018.
The Italian economy was affected in 2019 by the deceleration in world trade (due to negative shocks from the persistent protectionist policies of the United States and the trade war between the United States and China) and the uncertainties relating to Europe's automotive sector.
Domestically, the climate of uncertainty negatively affected household consumption and businesses reduced inventories, with industrial production down 1% compared to 2018. GDP fell by -0.3% in the last quarter of 2019, making for a negative start to the new year, already forecasted to have low growth prospects. The spread of COVID-19 will have a major economic impact on Italian GDP. This impact is difficult to quantify as it depends on the spread of the virus, the duration and extent of the lockdown in Italy and abroad, and the social distancing measures and monetary and fiscal policies implemented in Italy and Europe. Without doubt, the Italian government's measures to limit the contagion and support household incomes will have a significant impact on supply and demand, and will also lead to a severe increase in public debt. Consumption will contract significantly in 2020, especially in the services sector, as a result of measures to limit the contagion and to make consumers more cautious. In April's World Economic Outlook, the International Monetary Fund called this economic crisis the worst since the Great Depression of 1930, forecasting a 3% decline in the world economy and 9% in Italy.
In Brazil, the expected results may be significantly affected by the macroeconomic and political situation. After two years of falling GDP, which marked one of the deepest crises in Italy's history, growth returned in 2017 (+1%) and 2018 closed with a growth of 1.1% compared to the previous year. According to IBGE – Brazilian Geography and Statistic Institute – GDP growth for 2019 was 1.1%, the same as for the previous year. Although the government has successfully approved the Social Security Reform, the market is still waiting for some structural changes to improve the Brazilian government's investment capacity for a more significant recovery. In addition, turmoil in the external market, such as the trade war between the United States and China and Brexit, will have further effects on the Brazilian economy's recovery.
Operations, spending and the way consumers use the network and other Tim Brasil products and services could be affected by recent policies and initiatives in the Brazilian public and private sector to reduce the transmission of COVID-19 – such as travel restrictions, social distancing, working from home and online training by companies and institutions – as well as a reduction in disposable income for some customers as a result of the pandemic. In addition, COVID-19 could affect suppliers' ability to procure products and services, such as new mobile devices or SIM cards, or the ability to provide support to the network. Some of these factors could increase demand for TIM Brasil products and services, while others may decrease it or make it harder to satisfy customers, such as the closure of some stores. Due to the speed at which the situation is evolving, it is not possible to estimate the impact of COVID-19 on Tim Brasil's operating and financial results at this time, however the impact could be material.

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The manager in charge of preparing the corporate financial reports, Giovanni Ronca, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained herein corresponds to the documentary records, books and accounting entries.