



SHAREHOLDERS' MEETING ON MARCH 29 2019

REPORTS AND PROPOSED RESOLUTIONS OF THE  
BOARD OF DIRECTORS

## Financial statements as at 31 December 2018 – approval of the documentation on the financial statements – related and consequent resolutions

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Dear Shareholders,

the draft financial statements submitted to the Shareholders Meeting gives rise to a net loss of 1,853,605,339.28 euros. Said sum is fully offset by the amount of the company shareholders' equity, positive at December 31, 2018 by 18,138,205,052.56 euros.

It is therefore proposed that the loss be covered by using Reserve ex art. 34 L. no. 576/1975 for 12,821,804 euros and withdrawing retained earnings for 1,840,783,535.28 euros, using primarily the 2017 portion allocated to this reserve. For an analysis of this situation, see the report on operations accompanying the financial statements.

In view of the above, the Board of Directors submits for your approval the following

### Proposed Resolution

The Shareholders' Meeting of TIM S.p.A.,

- having examined the annual financial report of TIM S.p.A.;
- having taken note of the reports by the Board of Statutory Auditors and the independent auditor PricewaterhouseCoopers S.p.A.;

### resolves

- to approve the financial statements of TIM S.p.A. for the year 2018;
- to cover the net loss resulting from the financial statement (of 1,853,605,339.28 euros)
  - a) for 12,821,804 euros, using Reserve ex art. 34 L. no. 576/1975;
  - b) for 1,840,783,535.28 euros, withdrawing retained earnings, using primarily the 2017 portion allocated to this reserve.

## Distribution of a privileged dividend to Savings Shares through utilization of reserves - related and consequent resolutions

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Dear Shareholders,

as pointed out in the explanatory report on the proposed approval of the draft financial statements, this shows a net loss of 1,853,605,339.28 euros.

Notwithstanding this, in view of the amount of the Company's net equity and to avoid carrying over the debt into the next two financial years, as permitted by the Company Bylaws, we propose to distribute the privileged dividend on savings shares only, in the amount of 0.0275 euros (5% of 0.55 euros) per share, withdrawing funds from retained earnings for 165.764.271,73 euros.

The amounts for dividends will be payable in favor of entitled parties, on the basis of the evidence of the share deposit accounts at the end of the record date of 25 June 2019, starting from the coming 26 June 2019, while the coupon date will be 24 June 2016.

In view of the above, the Board of Directors submits for your approval the following

### Proposed Resolution

The Shareholders' Meeting of TIM S.p.A.,

- having examined the annual financial report of Telecom Italia S.p.A.;
- in view of the authority of the Shareholders' Meeting, in the event of a lack of or insufficient net profits resulting from the financial statements to meet the privilege granted to savings shares, to meet it by distributing available reserves, resulting in the exclusion of the mechanism to carry over in the two subsequent financial years the entitlement to the privileged dividend not received by the distribution of profits, as stated in Article 6 of the Bylaws;

### resolves

- to pay savings Shareholders the privileged dividend in the amount of 0.0275 euros per savings share, gross of the withholdings required by law, which will be applied to the number of savings shares that they own at the record date, withdrawing the funds from the retained earnings in the amount of 165.764.271,73 euros;
- to make the dividend payable starting on June 26, 2019, with a coupon date of June 24 June 2019 (record date June 25, 2019).

## Report on Remuneration - Resolution on the First Section

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Dear Shareholders,

pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998, the remuneration report has been prepared for the Shareholders' Meeting to be held on March 29, 2019; it is divided into two sections:

- the first sets out the Company's policy regarding the remuneration of directors and key managers with strategic responsibilities, with reference at least to the 2019 financial year;
- the second provides a report on the items that make up the remuneration of the subjects mentioned above, with a detailed presentation of the compensation paid to them in the 2018 financial year.

You are called on to express your opinion of the first section of the report, with a resolution that is not legally binding.

In view of the above, the Board of Directors submits for your approval the following

### Proposed Resolution

The Shareholders' Meeting of TIM S.p.A.,

- given the applicable legal provisions regarding the report on remuneration;
- having acknowledged the non-binding nature of the resolution required,

**resolves**

to approve the first section of the remuneration report.

## Update of one of the performance conditions of the incentive plan based on financial instruments approved by the Shareholders' meeting on April 24, 2018

Dear Shareholders,

You have been convened to discuss and take a resolution on the proposal to update one of the performance conditions set out in the long-term share incentive plan called "Long Term Incentive Plan 2018"; an update needed following approval of the new 2019-2021 industrial plan.

The Long-Term Incentive Plan 2018 was approved by the Shareholders Meeting of April 24, 2018, and was then implemented by the Board of Directors, as can be seen in the disclosure resulting from the report on remuneration. Please be reminded that it is based on the so-called performance shares instrument, foreseeing assigning free-of-charge, subject to biennial lock-up, of up to 85,000,000 ordinary shares, in a variable number based on the target level reached, in the 2018-2020 period, for certain Performance Parameters. These were established at the time: (i) In the stock market performance of the ordinary share in the period January 1, 2018 – December 31, 2020 (except for cases of early termination, with continued entitlement, or of subsequent attribution), compared with a basket of stock issued by a panel of peers (weight: 70%); and (ii) In the free cash flow accumulated in the incentive period (so-called equity free cash flow; weight 30%).

When establishing the equity free cash flow parameter, reference was naturally made to the targets of the industrial plan in force at the time, that is those of the 2018-2020 plan approved by the Board of Directors on March 6, 2018. However, on February 21, 2019 the Board approved the new 2019-2021 plan which, amongst other things, contemplates new targets related to the Group's free cash flow. Hence the need to update the incentive plan in order to preserve the consistency of performance parameters with the current industrial plan.

Faced with the important difference between the two programming documents, in terms of generating equity free cash flow in the residual vesting period, the condition for preserving the incentivizing capacity and retention of the rewarding measure is to abandon, for the last two years, "internal" parameters now considered obsolete, no longer a company commitment, to connect accrual (of a part) of the current performance shares to the Group's current strategic objectives. On the contrary, the "external" share performance indicator is confirmed and still valid, compared to the average of the peer basket market performances. Compared to that, the need to align the interests of management holding decisive organisational positions for TIM business purposes to shareholders' interests, in terms of growth in the share value medium-long term, cannot change.

The amendment (illustrated in the specific supplement to the informative document already published which you are kindly asked to refer to) is proposed to be valid for both the Long-Term Incentive Plan 2018 tranches, respectively intended for the Chief Executive Officer of the Company (currently Luigi Gubitosi) and selected members of Group management. This is meant to confirm the principle – that the present update intends to corroborate and reinforce – that the Long-Term Incentive Plan 2018 is one and the same, and incentivizes the managerial team altogether to lead the Company in the pursuit of its objectives.

Having stated the above, the Board of Directors is hereby submitting the following resolution for your approval.

### **Proposed Resolution**

The Shareholders' Meeting of TIM S.p.A.,

- having seen the resolutions of approval of the incentive plan based on financial instruments (first and second tranche and here together “Long-Term Incentive Plan 2018”), taken by the Shareholders Meeting of April 24, 2018, and
- having examined the supplement to the information document on the initiative,

**resolves**

- to update one of the two performance parameters set forth for the Long-Term Incentive Plan 2018, specifically the target represented by the net cash flow accumulated in the three-year period incentivized, taking as reference for the remaining financial years 2019 and 2020 the equity free cash flow targets of the new 2019-2021 plan, with no amendments to remaining terms and conditions; and
- to confirm for the Board of Directors all powers needed and opportune to implement the action, to make any amendment and/or integration needed to implement what has been decided, also to comply with regulatory provisions applicable, including authorisation to carry out the necessary free of charge disposals of the ordinary treasury shares, as present in due course in the com