ATTACHMENTS TO PRESS RELEASE

ADOPTION OF THE NEW IFRS 16 (LEASES) STANDARD

This section provides an overview of IFRS 16 (Leases) main disclosure elements and of the impacts arising from the application of the standard starting from January 1, 2019.
IFRS 16 (Leases) was endorsed by the European Union on October 31, 2017 with the Commission Regulation (EU) 2017/1986. IFRS 16 has replaced IAS 17 (Leases) and the 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).
As allowed by the new standard, the TIM Group has applied the modified retrospective method with the recognition of the cumulative effect of the standard first-time adoption as an adjustment to the opening balance of equity at the data of the first application, without restating prior comparative periods.
In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position at the present value of future lease payments, against the recognition of a right-of-use asset of the leased asset. This liability is subsequently adjusted over the lease contract term in order to reflect the payment of interest on the debt and the repayment of the principal; the right-of-use of the leased asset is amortized over the contract term.
The application of IFRS 16 determines lower operating costs and higher amortization/depreciation and financial charges in comparison with IAS 17 which required the recognition of operating costs for non-financial leases; moreover, according to IFRS 16 for the lessees the distinction between financial and operating leases doesn't exist any longer.
As of January 1, 2019 (transition date), the TIM Group has applied a modified retrospective method by recognizing, for leases previously classified as operating leases (under IAS 17), a financial liability and a corresponding right of use, measured on the basis of the remaining lease payments at the transition date.

In the TIM Group the agreements that fall within the scope of IFRS 16 mainly refer to:

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

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

- IFRS 16 is not usually applied to intangible assets or to short-term (i.e. less than 12 months) contracts with low unit value;
- rights of use and financial liabilities relating to lease agreements have been classified on specific line items in the statement of financial position;
- any service contract component included in the lease payments have been generally excluded from the IFRS 16 scope;
- contracts with similar characteristics have been assessed using a single discount rate;
- leases previously recognized as finance leases in accordance with IAS 17 have retained their previous measurements.

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

IMPACTS ARISING FROM THE ADOPTION OF IFRS 16

Impacts on the statements of financial position at 1/1/2019 (transition date)

For the TIM Group and TIM S.p.A.,, adoption of IFRS 16 entailed higher non-current assets due to the recognition of the "Right of Use" as a balancing entry to the higher financial liabilities recognized. In detail, the impacts of the transition on the main line items of the statements of financial position are shown below.

TIM GROUP

(millions of euros)	12/31/2018	Riclassification (*)	IFRS 16 impacts (**)	1/1/2019 Restated
Assets				
Non-current assets				
Intangible assets	35,658	(445)	–	35,213
Tangible assets	16,146	(1,923)	–	14,223
Right of use assets	–	2,368	3,503	5,871
Other non-current assets				
Non-current financial receivable for lease contracts	54	–	6	60
Miscellaneous receivables and other non-current assets	2,291	–	–	2,291
Deferred tax assets	1,136	–	–	1,136
Current assets				
Trade and miscellaneous receivables and other current assets	4,706	–	(29)	4,677
Current financial receivables arising from lease contracts	70	–	4	74
Total Assets	**65,619**	**–**	**3,484**	**69,103**
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent	19,528	–	–	19,528
Non-controlling interests	2,219	–	–	2,219
Total Equity	**21,747**	**–**	**–**	**21,747**
Non-current liabilities				
Non-current financial liabilities for lease contracts	1,740	–	3,021	4,761
Deferred tax liabilities	192	–	–	192
Current liabilities				
Current financial liabilities for lease contracts	208	–	542	750
Trade and miscellaneous payables and other current liabilities	6,901	–	(79)	6,822
Total Equity and Liabilities	**65,619**	**–**	**3,484**	**69,103**

(*) The column includes reclassification of right of use assets (2,368 million euros) of: a) Indefeasible Right of Use – IRU (412 million euros) previously recognized as intangible assets; b) Rights of use on infrastructure in Brazil – "LT Amazonas" (33 million euros) previously recognized as intangible assets; c) assets held under finance leases (1,895 million euros), previously recognized as tangible assets; d) improvements to third-party assets (28 million euros) previously recognized as tangible assets.

(**) The column includes recognition of the right of use assets, the related financial debt and related items consequent to IFRS 16.

TIM S.p.A.

(millions of euros)	12/31/2018	Reclassification (*)	IFRS 16 impacts (**)	1/1/2019 Restated
Assets				
Non-current assets				
Intangible assets	30,680	(120)		30,560
Tangible assets	12,476	(1,719)		10.757
Right of use assets	-	1,839	2,909	4,748
Other non-current assets				
Non-current financial receivables arising from lease contracts	15	-	6	21
Miscellaneous receivables and other non-current assets	1,704	-	(1)	1,703
Deferred tax assets	882	-	-	882
Current assets				
Trade and miscellaneous receivables and other current assets	3,850	-	(15)	3,835
Current financial receivables arising from lease contracts	64	-	4	68
Total Assets	**61,161**	**-**	**2,903**	**64,064**
Equity and Liabilities				
Equity	**18,138**	**-**		**18,138**
Non-current liabilities				
Non-current financial liabilities for lease contracts	1,445	-	2.434	3,879
Deferred tax liabilities	3	-	-	3
Current liabilities				
Current financial liabilities for lease contracts	159	-	516	675
Trade and miscellaneous payables and other current liabilities	5,238	-	(47)	5,191
Total Equity and Liabilities	**61,161**	**-**	**2,903**	**64,064**

(*) The column includes reclassification of Right of use assets (1,839 million euros) of:
- Indefeasible Rights of Use - IRU (120 million euros), previously recognized as intangible assets;
- assets held under finance leases (1,694 million euros), previously recognized as tangible assets;
- improvements to third-party assets (25 million euros), previously recognized as tangible assets

(**) The column includes recognition of the rights of use third-party assets of the related financial debt and related items consequent to IFRS 16.

The amount of net financial Liabilities (Assets) recognized for Leases for the TIM Group and TIM S.p.A. at January 1, 2019 is the following:

TIM GROUP

(millions of euros)	
Financial liabilities for lease contracts payable, non-current and current, at December 31, 2018 (2018 financial statements)	1,948
Other financial liabilities recognized for leases at January 1, 2019	3,563
Total financial liabilities at January 1, 2019	**5,511**
Financial assets for lease contracts receivable, non-current and current, at December 31, 2018 (2018 financial statements)	(124)
Other financial assets recognized for leases at January 1, 2019	(10)
Total financial assets at January 1, 2019	**(134)**
Net financial Liabilities (Assets) for leases at January 1, 2019	**5,377**

TIM S.p.A.

(millions of euros)	
Financial liabilities for lease contracts payable, non-current and current, at December 31, 2018 (2018 financial statements)	1,604
Other financial liabilities recognized for leases at January 1, 2019	2,950
Total financial liabilities at January 1, 2019	**4,554**
Financial assets for lease contracts receivable, non-current and current, at December 31, 2018 (2018 financial statements)	(79)
Other financial assets recognized for leases at January 1, 2019	(10)
Total financial assets at January 1, 2019	**(89)**
Net Liabilities (Assets) recognized for leases at January 1, 2019	**4,465**

Adjusted net financial debt of the TIM Group

(millions of euros)	
Adjusted net financial debt at December 31, 2018	**25,270**
Other financial liabilities recognized for leases at January 1, 2019	3,563
Other financial asset recognized for leases at January 1, 2019	(10)
Adjusted net financial debt at January 1, 2019	**28,823**

The average discount rate applied to the lease liabilities recognized in the statements of financial position of TIM Group, at the date of initial application (January 1, 2019), was 5.6%.

Adjusted net financial debt of TIM S.p.A.

(millions of euros)	
Adjusted net financial debt at December 31, 2018	**28,053**
Other financial liabilities recognized for leases at January 1, 2019	2,950
Other financial assets recognized for leases at January 1, 2019	(10)
Adjusted net financial debt at January 1, 2019	**30,993**

The average discount rate applied to the lease liabilities recognized in the statements of financial position of TIM S.p.A., at the date of initial application (January 1, 2019), was 2.5%.

Impact on the main separate income statement line items and on the statements of financial position for the year 2019

The breakdown of the impact of IFRS 16 on key consolidated income statement figures for the year 2019 of the TIM Group and TIM S.p.A. compared with the comparable year 2019 is shown below.

TIM GROUP

(millions of euros)		Year 12/31/2019 comparable (*) (a)	IFRS 16 impact (b)	Year 12/31/2019 (a+b)
Revenues	**(1)**	**17,977**	**(3)**	**17,974**
Operating expenses	(2)	(11,421)	665	(10,756)
EBITDA		**7,489**	**662**	**8,151**
Depreciation of assets held under finance leases	(3)	(187)	(535)	(722)
Gains (losses) on disposals of non-current assets	(4)	(40)	(9)	(49)
EBIT		**3,058**	**117**	**3,175**
Interest expenses on lease liabilities	(5)	(157)	(199)	(356)
Profit (loss) before tax from continuing operations		**1,821**	**(82)**	**1,739**
Income tax expense	(6)	(533)	20	(513)
Profit (loss) for the year		**1,304**	**(62)**	**1,242**
Attributable to:				
Owners of the Parent		**962**	**(46)**	**916**
Non-controlling interests		342	(16)	326

(*) In the comparable year 2019, the signed lease contracts starting from January 1, 2019 are always classified as operating leases for IAS 17 purposes

TIM S.p.A.

(millions of euros)		Year 2019 comparable (*) (a)	Impact IFRS 16 (b)	Year 2019 (a+b)
Revenues	**(1)**	**13,140**	**(3)**	**13,137**
Operating expenses	(2)	(8,409)	556	(7,853)
EBITDA		**4,929**	**553**	**5,482**
Depreciation of finance lease assets	(3)	(192)	(487)	(679)
Gains/(losses) on disposals of non-current assets	(4)	(32)	(9)	(41)
EBIT		**1,665**	**57**	**1,722**
Finance expenses on finance lease liabilities	(5)	(104)	(59)	(163)
Profit (loss) before tax		**574**	**(2)**	**572**
Income tax expense	(6)	(188)	(2)	(190)
Profit (loss) for the year		**386**	**(4)**	**382**

(*) In the comparable year 2019, the signed lease contracts starting from January 1, 2019 are always classified as operating leases for IAS 17 purposes

The different nature, qualification and classification of the expenses, with recognition of the "Amortization of right of use assets" and of "Financial expense for interest relating to rights of use " instead of "Lease and rental costs - payments for operating leases" according to IAS 17, has determined a positive impact on EBITDA equal to 662 million euros for the TIM Group and 553 million euros for TIM S.p.A..

In particular, the application of IFRS 16 to leases caused the:

(1) reduction of **Revenues** due to the different accounting treatment of the payments relating to the subleasing of commercial products
(2) reduction of **Operating expenses** for the different accounting treatment of the payments relating to the lease contracts of land, building for office and industrial use, infrastructure sites for the mobile telephony network and network infrastructure (when not classifiable as services);
(3) the increase in **Amortization** of right of use assets consequent to recognition of higher non-current assets ("Right of Use asset") amortized for the term of the contract;
(4) the increase in **Losses on disposals** of non-current assets due to the early termination of finance leases;
(5) the increase in **Financial expense** for interest due to the recognition of higher financial liabilities connected to the right-of-use assets;
(6) the change in **Income tax expense** that shows the income tax effect of the changes illustrated above.

The breakdown of the impact of IFRS 16 on the main statements of financial position figures of the Tim Group and TIM S.p.A. at December 31, 2019 is shown below.

TIM GROUP

(millions of euros)	12/31/2019 comparable (a)	IFRS 16 impact (b)	12/31/2019 (c=a+b)
Assets			
Non-current assets			
Intangible assets	30,750	–	30,750
Tangible assets	14,011	–	14,011
Right of use assets	2,334	3,160	5,494
Other non-current assets	5,734	7	5,741
Total Non-current assets	**52,829**	**3,167**	**55,996**
Current Assets	**9,484**	**(23)**	**9,461**
Discontinued operations /Non-current assets held for sale	**4,084**	**563**	**4,647**
Total Assets	**66,397**	**3,707**	**70,104**
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	20,322	(42)	20,280
Non-controlling interests	2,359	(13)	2,346
Total Equity	**22,681**	**(55)**	**22,626**
Non-current liabilities	**32,770**	**2,780**	**35,550**
Current liabilities	**10,710**	**413**	**11,123**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	**236**	**569**	**805**
Total Liabilities	**43,716**	**3,762**	**47,478**
Total Equity and Liabilities	**66,397**	**3,707**	**70,104**

TIM S.p.A.

(millions of euros)	12/31/2019 comparable (a)	Impact IFRS 16 (b)	12/31/2019 (c=a+b)
Assets			
Non-current assets			
Intangible assets	30,159	–	30,159
Tangible assets	10,591	–	10,591
Right of use assets	1,839	3,067	4,906
Other non-current assets	11,834	4	11,838
Total Non-current assets	**54,423**	**3,071**	**57,494**
Current assets sub-total	**4,985**	**(27)**	**4,958**
Discontinued operations /Non-current assets held for sale	**828**	**–**	**828**
Current assets	**5,813**	**(27)**	**5,786**
Total Assets	**60,236**	**3,044**	**63,280**
Equity and liabilities			
Total Equity	**18,177**	**(3)**	**18,174**
Non-current liabilities	**32,228**	**2,565**	**34,793**
Current liabilities	**9,831**	**482**	**10,313**
Total Liabilities	**42,059**	**3,047**	**45,106**
Total Equity and Liabilities	**60,236**	**3,044**	**63,280**

The breakdown of the impact of IFRS 16 on net financial debt of the TIM Group and TIM S.p.A. is shown below.

Adjusted Net Financial Debt of TIM Group

(millions of euros)	12/31/2019
Comparable adjusted net financial debt	**23,839**
Additional financial liabilities recognized in application of IFRS 16	3,270
Additional financial assets recognized in application of IFRS 16	(12)
Additional financial liabilities recognized in application of IFRS 16 Liabilities directly associated with Discontinued operation/Non-current assets held for sale	571
Adjusted net financial debt	**27,668**

Adjusted net financial debt of TIM S.p.A.

(millions of euros)	12/31/2019
Comparable adjusted net financial debt	**26,675**
Additional financial liabilities recognized in application of IFRS 16	3,077
Additional financial assets recognized in application of IFRS 16	(12)
Adjusted net financial debt	**29,740**

TIM GROUP – FINANCIAL HIGHLIGHTS

(millions of euros)		12/31/2019	12/31/2019 comparable (a)	12/31/2018 (b)	% Change (a-b)	organic excluding non-recurring
Revenues		**17,974**	**17,977**	**18,940**	(5.1)	(4.9)
EBITDA	(1)	**8,151**	**7,489**	**7,403**	1.2	(2.8)
EBITDA Margin		*45.3%*	*41.7%*	*39.1%*	*2.6pp*	
Organic EBITDA Margin excluding non-recurring		*45.7%*	*42.0%*	*41.1%*		*0.9pp*
EBIT before goodwill impairment loss		**3,175**	**3,058**	**3,151**	(3.0)	
Goodwill impairment loss		–	–	*(2,590)*		
EBIT	(1)	**3,175**	**3,058**	**561**		(11.2)
EBIT Margin		*17.7%*	*17.0%*	*3.0%*	*14.0pp*	
Organic EBIT Margin excluding non-recurring		*18.1%*	*17.5%*	*18.7%*		*(1.2)pp*
Profit (loss) for the year attributable to Owners of the Parent		**916**	**962**	**(1,411)**		
Capital Expenditures & spectrum		**3,784**	**3,784**	**6,408**	(40.9)	
–	–	**12/31/2019**	**12/31/2019 comparable (a)**	**12/31/2018 (b)**	**Change Amount (a-b)**	
Adjusted Net Financial Debt	(1)	**27,668**	**23,839**	**25,270**	(1,431)	

(millions of euros)		4rd Quarter 2019	4rd Quarter 2019 comparable (a)	4rd Quarter 2018 (b)	% Change (a-b)	organic excluding non-recurring
Revenues		**4,551**	**4,554**	**4,863**	(6.4)	(6.6)
EBITDA	(1)	**1,652**	**1,481**	**1,625**	(8.9)	(1.6)
EBITDA Margin		*36.3%*	*32.5%*	*33.4%*	*(0.9)pp*	
Organic EBITDA Margin excluding non-recurring		*44.5%*	*40.7%*	*38.6%*		*2.1pp*
EBIT before goodwill impairment loss		**463**	**341**	**534**	(36.1)	
Goodwill impairment loss				*(590)*		
EBIT	(1)	**463**	**341**	**(56)**		(9.4)
EBIT Margin		*10.2%*	*7.5%*	*(1.2)%*	*8.7pp*	
Organic EBIT Margin excluding non-recurring		*18.7%*	*16.0%*	*16.5%*		*(0.5)pp*
Profit (loss) for the year attributable to owners of the Parent		**64**	**31**	**(543)**		

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

TIM GROUP – RECLASSIFIED STATEMENTS

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 of the Parent TIM S.p.A., herewith presented, are the same as those included in the Report on Operations of the 2019 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, 2019.

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements and for the TIM S.p.A. Separate Financial Statements at December 31, 2018, except for the new standards adopted as of January 1, 2019, the impact of which is illustrated in the chapter "Adoption of the New IFRS 16 (Leases) Standard".

To enable the comparison of the economic and financial performance for 2019, with the corresponding period of the previous year, this press release shows "comparable" income statement figures and "comparable" statement of financial position figures, prepared in accordance with the previous accounting standards applied (IAS 17 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, 2019, as well as the check of consistency of the 2019 Report on Operations with the related TIM Consolidated and Separate Financial Statements have not yet been completed.

SEPARATE CONSOLIDATED INCOME STATEMENTS OF THE TIM GROUP

(millions of euros)	2019	2019 comparable	2018	Change (a-b)	
		(a)	(b)	amount	%
Revenues	**17,974**	**17,977**	**18,940**	**(963)**	**(5.1)**
Other income	933	933	341	592	–
Total operating revenues and other income	**18,907**	**18,910**	**19,281**	**(371)**	**–**
Acquisition of goods and services	(6,463)	(7,128)	(8,186)	1,058	12.9
Employee benefits expenses	(3,077)	(3,077)	(3,105)	28	0.9
Other operating expenses	(1,625)	(1,625)	(1,259)	(366)	(29.1)
Change in inventories	(128)	(128)	102	(230)	–
Internally generated assets	537	537	570	(33)	(5.8)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**8,151**	**7,489**	**7,403**	**86**	**1.2**
Depreciation and amortization	(4,927)	(4,391)	(4,255)	(136)	(3.2)
Gains (losses) on disposals of non-current assets	(49)	(40)	(1)	(39)	–
Impairment reversals (losses) on non-current assets	–	–	(2,586)	2,586	–
Operating profit (loss) (EBIT)	**3,175**	**3,058**	**561**	**2,497**	**–**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(3)	(3)	(1)	(2)	–
Other income (expenses) from investments	3	3	11	(8)	(72.7)
Finance income	946	946	1,056	(110)	(10.4)
Finance expenses	(2,382)	(2,183)	(2,404)	221	9.2
Profit (loss) before tax from continuing operations	**1,739**	**1,821**	**(777)**	**2,598**	**–**
Income tax expense	(513)	(533)	(375)	(158)	–
Profit (loss) from continuing operations	**1,226**	**1,288**	**(1,152)**	**2,440**	**–**
Profit (loss) from Discontinued operations/Non-current assets held for sale	**16**	**16**	**–**	**16**	**–**
Profit (loss) for the year	**1,242**	**1,304**	**(1,152)**	**2,456**	**–**
Attributable to:					
Owners of the Parent	**916**	**962**	**(1,411)**	**2,373**	**–**
Non-controlling interests	326	342	259	83	32.0

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE TIM GROUP

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)		2019	2018
Profit (loss) for the year	**(a)**	**1,242**	**(1,152)**
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		4	(5)
Income tax effect		–	–
	(b)	**4**	**(5)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(44)	19
Income tax effect		10	(5)
	(c)	**(34)**	**14**
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)**	**(30)**	**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		(19)	(14)
Loss (profit) transferred to Separate Consolidated Income Statement		(5)	(4)
Income tax effect		8	2
	(f)	**(16)**	**(16)**
Hedging instruments:			
Profit (loss) from fair value adjustments		367	362
Loss (profit) transferred to Separate Consolidated Income Statement		(227)	(336)
Income tax effect		(17)	(7)
	(g)	**123**	**19**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(113)	(554)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(h)	**(113)**	**(554)**
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)**	**(6)**	**(551)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**(36)**	**(542)**
Total comprehensive income (loss) for the year	**(a+m)**	**1,206**	**(1,694)**
Attributable to:			
Owners of the Parent		**916**	**(1,784)**
Non-controlling interests		290	90

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
THE TIM GROUP

(millions of euros)		12/31/2019 (a)	12/31/2018 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		23,083	26,769	(3,686)
Intangible assets with a finite useful life		7,667	8,889	(1,222)
		30,750	**35,658**	**(4,908)**
Tangible assets				
Property, plant and equipment owned		14,011	14,251	(240)
Assets held under finance leases		–	1,895	(1,895)
		14,011	**16,146**	**(2,135)**
Right of use assets		**5,494**	**–**	**5,494**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		11	16	(5)
Other investments		52	49	3
Non-current financial receivable for lease contracts		51	54	(3)
Other non-current financial assets		2,100	1,540	560
Miscellaneous receivables and other non-current assets		2,585	2,291	294
Deferred tax assets		942	1,136	(194)
		5,741	**5,086**	**655**
Total Non-current assets	**(a)**	**55,996**	**56,890**	**(894)**
Current assets				
Inventories		260	389	(129)
Trade and miscellaneous receivables and other current assets		4,857	4,706	151
Current income tax receivables		149	251	(102)
Current financial assets				
Current financial receivables arising from lease contracts		58	*70*	*(12)*
Securities other than investments, other financial receivables and other current financial assets		999	*1,396*	*(397)*
Cash and cash equivalents		*3,138*	*1,917*	*1,221*
		4,195	**3,383**	**812**
Current assets sub-total		**9,461**	**8,729**	**732**
Discontinued operations /Non-current assets held for sale				
of a financial nature		65	–	65
of a non-financial nature		4,582	–	4,582
		4,647	**–**	**4,647**
Total Current assets	**(b)**	**14,108**	**8,729**	**5,379**
Total Assets	**(a+b)**	**70,104**	**65,619**	**4,485**

(millions of euros)		12/31/2019 (a)	12/31/2018 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		20,280	19,528	752
Non-controlling interests		2,346	2,219	127
Total Equity	**(c)**	**22,626**	**21,747**	**879**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		25,605	23,319	2,286
Non-current financial liabilities for lease contracts		4,576	1,740	2,836
Employee benefits		1,182	1,567	(385)
Deferred tax liabilities		248	192	56
Provisions		725	876	(151)
Miscellaneous payables and other non-current liabilities		3,214	3,297	(83)
Total Non-current liabilities	**(d)**	**35,550**	**30,991**	**4,559**
Current liabilities				
Current financial liabilities for financing contracts and others		3,182	5,705	(2,523)
Current financial liabilities for lease contracts		639	208	431
Trade and miscellaneous payables and other current liabilities		7,218	6,901	317
Current income tax payables		84	67	17
Current liabilities sub-total		**11,123**	**12,881**	**(1,758)**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature		655	–	655
of a non-financial nature		150	–	150
		805	**–**	**805**
Total Current Liabilities	**(e)**	**11,928**	**12,881**	**(953)**
Total Liabilities	**(f=d+e)**	**47,478**	**43,872**	**3,606**
Total Equity and Liabilities	**(c+f)**	**70,104**	**65,619**	**4,485**

CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TIM GROUP

(millions of euros)		2019	2018
Cash flows from operating activities:			
Profit (loss) from continuing operations		1,226	(1,152)
Adjustments for:			
Depreciation and amortization		4,927	4,255
Impairment losses (reversals) on non-current assets (including investments)		31	2,589
Net change in deferred tax assets and liabilities		271	(195)
Losses (gains) realized on disposals of non-current assets (including investments)		47	1
Share of losses (profits) of associates and joint ventures accounted for using the equity method		3	1
Change in provisions for employee benefits		(246)	(208)
Change in inventories		129	(99)
Change in trade receivables and net amounts due from customers on construction contracts		–	(49)
Change in trade payables		(181)	(163)
Net change in current income tax receivables/payables		114	(210)
Net change in miscellaneous receivables/payables and other assets/liabilities		(387)	(178)
Cash flows from (used in) operating activities	**(a)**	**5,934**	**4,592**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(3,649)	(4,531)
Capital grants received		28	108
Acquisition of control of companies or other businesses, net of cash acquired		–	–
Acquisitions/disposals of other investments		(4)	(3)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		231	96
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		125	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets		14	16
Cash flows from (used in) investing activities	**(b)**	**(3,255)**	**(4,314)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(545)	394
Proceeds from non-current financial liabilities (including current portion)		4,527	2,546
Repayments of non-current financial liabilities (including current portion)		(4,412)	(4,426)
Changes in hedging and non-hedging derivatives		(415)	(110)
Share capital proceeds/reimbursements (including subsidiaries)		10	22
Dividends paid		(279)	(256)
Changes in ownership interests in consolidated subsidiaries		–	–
Cash flows from (used in) financing activities	**(c)**	**(1,114)**	**(1,830)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**16**	**–**
Aggregate cash flows	**(e=a+b+c+d)**	**1,581**	**(1,552)**
Net cash and cash equivalents at beginning of the year:	**(f)**	**1,631**	**3,246**
Net foreign exchange differences on net cash and cash equivalents	(g)	(10)	(63)
Net cash and cash equivalents at end of the year:	**(h=e+f+g)**	**3,202**	**1,631**

Purchases of intangible, tangible and rights of use assets

(millions of euros)	2019	2018
Purchase of intangible assets	(1,064)	(3,647)
Purchase of tangible assets (1)	(2,644)	(2,831)
Purchase of right of use assets	(1,216)	–
Total purchase of intangible, tangible and right of use assets on an accrual basis	(4,924)	(6,478)
Change in payables arising from purchase of intangible, tangible and right of use assets	1,275	1,947
Total purchases of intangible, tangible and rights of use assets on a cash basis	(3,649)	(4,531)

(1) They include, in 2018, purchases of assets under finance leases.

Additional Cash Flow information

(millions of euros)	2019	2018
Income taxes (paid) received	(118)	(739)
Interest expense paid	(1,750)	(1,978)
Interest income received	589	871
Dividends received	1	2

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2019	2018
Net cash and cash equivalents at beginning 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**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	3,138	1,917
Bank overdrafts repayable on demand – from continuing operations	(1)	(286)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	65	–
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	3,202	**1,631**

NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	12/31/2019 (a)	12/31/2018 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,773	18,579	1,194
Amounts due to banks, other financial payables and liabilities	5,832	4,740	1,092
Non-current financial liabilities for lease contracts	4,576	1,740	2,836
	30,181	**25,059**	**5,122**
Current financial liabilities (*)			
Bonds	1,958	2,918	(960)
Amounts due to banks, other financial payables and liabilities	1,224	2,787	(1,563)
Current financial liabilities for lease contracts	639	208	431
	3,821	**5,913**	**(2,092)**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	655	–	655
Total Gross financial debt	**34,657**	**30,972**	**3,685**
Non-current financial assets			
Securities other than investments	–	–	–
Non-current financial receivable for lease contracts	(51)	(54)	3
Financial receivables and other non-current financial assets	(2,100)	(1,540)	(560)
	(2,151)	**(1,594)**	**(557)**
Current financial assets			
Securities other than investments	(877)	(1,126)	249
Current financial receivables arising from lease contracts	(58)	(70)	12
Financial receivables and other current financial assets	(122)	(270)	148
Cash and cash equivalents	(3,138)	(1,917)	(1,221)
	(4,195)	**(3,383)**	**(812)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	(65)	–	(65)
Total financial assets	**(6,411)**	**(4,977)**	**(1,434)**
Net financial debt carrying amount	**28,246**	**25,995**	**2,251**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(578)*	*(725)*	*147*
Adjusted Net Financial Debt	**27,668**	**25,270**	**2,398**
Breakdown as follows:			
Total adjusted gross financial debt	**32,782**	**29,432**	**3,350**
Total adjusted financial assets	**(5,114)**	**(4,162)**	**(952)**
(*) of which current portion of medium/long-term debt:			
Bonds	*1,958*	*2,918*	*(960)*
Amounts due to banks, other financial payables and liabilities	*446*	*1,477*	*(1,031)*
Current financial liabilities for lease contracts	*639*	*208*	*431*

CHANGE IN ADJUSTED NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	2019	2019 comparable (a)	2018 (b)	Change (a-b)
EBITDA	8,151	7,489	7,403	86
Capital expenditures on an accrual basis	(3,784)	(3,784)	(4,009)	225
Investments for mobile licenses acquisition / spectrum	–	–	(2,399)	2,399
Change in net operating working capital:	(549)	(598)	1,194	(1,792)
Change in inventories	*129*	*129*	*(99)*	*228*
Change in trade receivables and net amounts due from customers on construction contracts	–	–	*(49)*	*49*
Change in trade payables	*(28)*	*(45)*	*(150)*	*105*
Changes of mobile licenses acquisition payable / spectrum	*(18)*	*(18)*	*1,886*	*(1,904)*
Other changes in operating receivables/payables	*(632)*	*(664)*	*(394)*	*(270)*
Change in provisions for employee benefits	(246)	(246)	(208)	(38)
Change in operating provisions and Other changes	235	235	96	139
Net operating free cash flow	**3,807**	**3,096**	**2,077**	**1,019**
Of which Operating Free Cash Flow related to the mobile licenses acquisition / spectrum	*(18)*	*(18)*	*(513)*	*495*
% of Revenues	*21.2*	*17.2*	*11.0*	*6.2 pp*
Sale of investments and other disposals flow	160	160	18	142
Share capital increases/reimbursements, including incidental expenses	10	10	22	(12)
Financial investments	(5)	(5)	(6)	1
Dividends payment	(279)	(279)	(256)	(23)
Increases in finance lease contracts	(1,140)	(168)	(70)	(98)
Finance expenses, income taxes and other net non-operating requirements flow	(1,414)	(1,399)	(1,747)	348
IFRS 16 application impact	(3,553)			
Reduction/(Increase) in adjusted net financial debt from continuing operations	**(2,414)**	**1,415**	**38**	**1,377**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	16	16	–	16
Reduction/(Increase) in adjusted net financial debt	**(2,398)**	**1,431**	**38**	**1,393**

INFORMATION BY OPERATING SEGMENTS OF THE TIM GROUP

DOMESTIC

(millions of euros)	2019	2019 comparable (a)	2018 (b)	Change (a - b) amount	%	% organic excluding non-recurring
Revenues	14,078	14,081	15,031	(950)	(6.3)	(6.7)
EBITDA	5,708	5,345	5,955	(610)	(10.2)	(5.0)
EBITDA margin	*40.5*	*38.0*	*39.6*		*(1.6) pp*	*0.8 pp*
EBIT	1,887	1,852	16	1,836	–	(14.8)
EBIT margin	*13.4*	*13.2*	*0.1*		*13.1 pp*	*(1.8) pp*
Headcount at period-end (number) (°)	45,496		48,200	(2,704)	(5.6)	

(°) Includes employees with temp work contracts: 5 units at December 31, 2019 (0 units at December 31, 2018).

(millions of euros)	4th Quarter 2019	4th Quarter 2019 comparable (a)	4th Quarter 2018 (b)	Change (a-b) amount	%	% organic excluding non-recurring
Revenues	3,555	3,558	3,849	(291)	(7.6)	(8.9)
EBITDA	1,154	1,060	1,216	(156)	(12.8)	(4.7)
EBITDA Margin	*32.5*	*29.8*	*31.6*		*(1.8) pp*	*1.8 pp*
EBIT	193	162	(235)	397	-	(14.3)
EBIT Margin	*5.4*	*4.6*	*(6.1)*		*10.7 pp*	*(1.0) pp*

Fixed

	12/31/2019	12/31/2018	12/31/2017
Physical accesses of TIM Retail (thousands)	9,085	10,149	11,044
of which NGN (1)	*3,588*	*3,166*	*2,150*
Physical accesses of TIM Wholesale (thousands)	8,051	8,063	7,951
of which NGN	*3,309*	*2,262*	*986*
Active Broadband accesses of TIM Retail (thousands)	7,592	7,483	7,510
Consumer ARPU (€/month) (2) (4)	34.9	34.0	33.1
Broadband ARPU (€/month) (3) (4)	27.7	26.3	24.3

(1) UltraBroadband access in FTTx and FWA mode
(2) Revenues from retail Consumer services in proportion to the average Consumer physical accesses.
(3) Revenues from broadband services in proportion to the average active TIM retail accesses.
(4) The 2017 data is determined on the basis of the accounting standards and methodology adopted at that date

Mobile

	12/31/2019	12/31/2018	12/31/2017
Lines at period end (thousands)	30,895	31,818	30,755
of which Human	21,003	22,448	23,331
Churn rate (%) (5)	20.4	26.3	26.2
Broadband users (thousands) (6)	12,823	13,015	13,176
Reported ARPU (€/month) (7) (9)	8.7	9.8	12.5
Human ARPU (€/month) (8) (9)	12.6	13.4	16.1

(5) The data refer to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.
(6) Mobile lines using data services.
(7) Revenues from retail services (visitors and MVNO not included) in proportion to the average total lines.
(8) Revenues from retail services (visitors and MVNO not included) in proportion to the average human total lines.
(9) The 2017 data is determined on the basis of the accounting standards and methodology adopted at that date

Key results for 2019 for the Domestic Business Unit are presented in the following table, broken down by market/business segment and compared to 2018:

(millions of euros)	2019	2019 comparable (a)	2018 (b)	Change (a - b) amount	%	% organic excluding non-recurring
Revenues	**14,078**	**14,081**	**15,031**	**(950)**	**(6.3)**	**(6.7)**
Consumer	6,594	6,594	7,380	(786)	(10.7)	(10,7)
Business	4,624	4,627	4,678	(51)	(1.1)	(1.1)
Wholesale National Market	1,843	1,843	1,775	68	3.8	3.8
Wholesale International Market	947	947	1,272	(325)	(25.6)	(26.4)
Other	70	70	(74)	144	–	–

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BRAZIL

	2019	2019 comparable (a)	2018 (b)	2019	2019 comparable (c)	2018 (d)	Change amount (c-d)	Change % (c-d)/d	Change % organic excluding non-recurring
	(millions of euros)			(millions of Brazilian reais)					
Revenues	3,937	3,937	3,943	17,377	17,377	16,981	396	2.3	2.3
EBITDA	2,451	2,153	1,467	10,820	9,505	6,316	3,189	50.5	6.8
EBITDA margin	*62.3*	*54.7*	*37.2*	*62.3*	*54.7*	*37.2*		*17.5 pp*	*1,6 pp*
EBIT	1,297	1,215	564	5,726	5,365	2,428	2,937		7.4
EBIT margin	*33.0*	*30.9*	*14.3*	*33.0*	*30.9*	*14.3*		*16.6 pp*	*0,7 pp*
Headcount at year end (number)				9,689		9.658	31	0.3	

	4th Quarter 2019	4th Quarter 2019 comparable (a)	4th Quarter 2018 (b)	4th Quarter 2019	4th Quarter 2019 comparable (c)	4th Quarter 2018 (d)	Change amount (c-d)	Change % (c-d)/d	Change % organic excluding non-recurring
	(millions of euros)			(millions of Brazilian reais)					
Revenues	1,007	1,007	1,025	4,586	4,586	4,457	129	2.9	2.9
EBITDA	499	423	417	2,298	1,955	1,807	148	8.2	8.3
EBITDA margin	*50.1*	*42.6*	*40.5*	*50.1*	*42.6*	*40.5*		*2.1 pp*	*2.1 pp*
EBIT	272	181	186	1,250	850	807	43	5.3	5.6
EBIT margin	*27.3*	*18.5*	*18.1*	*27.3*	*18.5*	*18.1*		*0.4 pp*	*0.4 pp*

HEADCOUNT OF THE TIM GROUP

Average salaried workforce

(equivalent number)	2019 (a)	2018 (b)	Change (a-b)
Average salaried workforce – Italy	42,630	45,058	(2,428)
Average salaried workforce – Outside Italy	9,287	9,365	(78)
Total average salaried workforce (1)	**51,917**	**54,423**	**(2,506)**

(1) Includes employees with temp work contracts: 5 average employees in the 2019, 0 average employees in the year 2018.

Headcount at year end

(number)	12/31/2019 (a)	12/31/2018 (b)	Change (a-b)
Headcount – Italy	45,266	48,005	(2,739)
Headcount – Outside Italy	9,932	9,896	36
Total headcount at year end (1)	**55,198**	**57,901**	**(2,703)**

(1) Includes employees with temp work contracts: 5 employees at 2019; 0 employees at 12/31/2018.

Headcount at year end – Breakdown by Business Unit

(number)	12/31/2019	12/31/2018	Change
Domestic	45,496	48,200	(2,704)
Brazil	9,689	9,658	31
Other Operations	13	43	(30)
Total	**55,198**	**57,901**	**(2,703)**

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

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:

	2019	2018
Revenues:		
Revenue adjustments of previous years	(15)	(62)
Other income:		
Brazil Business Unit tax recovery and Domestic Business Unit operating expenses	706	37
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(21)	(15)
Employee benefits expenses:		
Expenses related to corporate restructuring/rationalization and other	(282)	(233)
Other operating expenses:		
Sundry expenses and other provisions	(459)	(135)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(71)**	**(408)**
Gains (losses) on disposals of non-current assets:		
Disposal Persidera S.p.A. (BU Domestic)	(18)	–
Impairment reversals (losses) on non-current assets:		
Impairment loss on Goodwill attributable to CGU Core Domestic and CGU International Wholesale	–	(2,590)
Impact on EBIT - Operating profit (loss)	**(89)**	**(2,998)**
Other income (expenses) from investments:		
Net gains from the disposal of investments in associates and joint ventures accounted for the equity method	1	–
Finance income:		
Miscellaneous finance income	–	45
Finance expenses:		
Miscellaneous finance expenses	(34)	(38)
Impact on profit (loss) before tax from continuing operations	**(122)**	**(2,991)**
Income taxes on non-recurring items	(40)	71
Profit/(Losses) related to Discontinued operations	16	–
Impact on profit (loss) for the year	**(146)**	**(2,920)**

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facilities and term loans

The following table shows committed credit lines available at December 31, 2019.

(billions of euros)	12/31/2019		12/31/2018	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	-	5.0	-
Total	**5.0**	**-**	**5.0**	**-**

At December 31, 2019, TIM had bilateral Term Loans for 1,750 million euros with various banking counterparties and overdraft facilities for 390 million euros, drawn down for the full amount.

On October 29, 2019, TIM entered into a Promissory Loan Agreement ("Schuldschein") for a total amount of 250 million euros, of which 229 million euros maturing on October 29, 2023 and 21 million euros maturing on October 29, 2025.

On 19 December 2019, INWIT signed a loan agreement with a pool of banks for a total amount of 3 billion euros, divided into three credit lines (bridge loan, term loan and revolving credit facility). These loans will be used to finance INWIT's acquisition of a minority stake in VOD Towers, to service the distribution of an extraordinary dividend, and to refinance part of INWIT's existing debt and meet its cash requirements.

Bonds

Changes in bonds over 2019 are shown below:

(millions of original currency)	**Currency**	**Amount**	**Issue date**
New issues			
Telecom Italia S.p.A. 1,250 million euros 4.000% maturing 4/11/2024	Euro	1,250	1/11/2019
TIM S.A. 1,000 million reais 104.10% CDI maturing 7/15/2020	BRL	1,000	1/25/2019
Telecom Italia S.p.A. 1,000 million euros 2.750% maturing 4/15/2025	Euro	1,000	4/15/2019

(millions of original currency)	**Currency**	**Amount**	**Repayment date**
Repayments			
Telecom Italia S.p.A. 832 million euros 5.375% (1)	Euro	832	1/29/2019
Telecom Italia Capital S.A. 760 million USD 7.175% (2)	USD	760	6/18/2019
Telecom Italia S.p.A. 850 million GBP 6.375%	GBP	850	6/24/2019

(1) Net of buy-backs totaling 418 million euros made by the company in 2015.

(2) Net of the securities bought back by TIM S.p.A. (240 million USD) on July 20, 2015.

With reference to Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at December 31, 2019 was 205 million euros, up by 2 million euros compared to December 31, 2018 (203 million euros).

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, 2019 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 2,051 million euros with the following detail:

- 719.5 million euros, due January 21, 2020;
- 220.8 million euros (equivalent to 1,000 million BRL), due July 15, 2020;
- 547.5 million euros, due September 25, 2020;

- 563.6 million euros, due January 25, 2021.

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early 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 interests 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 the bonds were 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. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

With regard to loans taken out by TIM S.p.A. with the European Investment Bank (EIB), at December 31, 2019, the nominal amount of outstanding loans amounted to 950 million euros, of which 850 million euros at direct risk and 100 million euros secured.
EIB loans not secured by bank guarantees for a nominal amount equal to 850 million euros signed on December 14, 2015 and November 25, 2019 are subject to the following covenants:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes of 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 immediate 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);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% (thirty-five percent) of the Group's total financial debt.

In all EIB loans, both secured by guarantees issued by banks or subject to EIB approval and at direct risk, some covenants are envisaged, including:

- "Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses for the 2015 direct risk loan, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;
- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan contract or choose an alternative solution.

The loan agreements of TIM S.p.A. 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 agreements contain the usual other types of covenants, including the commitment not to pledge the Company's assets as collateral for loans (negative pledge) and 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 export credit loan agreements.

In the Loan Agreements and the Bonds, TIM is required to provide notification of change of control. Identification of the occurrence of a change of control and the applicable consequences – including, at the discretion of the investors, the establishment of guarantees or the early repayment of the amount paid in cash or as shares and the cancellation of the commitment in the absence of agreements to the contrary – are specifically covered in the individual agreements.
In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or transfers of business, involving entities outside the Group. Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.

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.

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(1) A change of control event can result in the early repayment of the convertible bond of TIM S.p.A., as further detailed below.

Finally, as at December 31, 2019, no covenant, negative pledge or other clause relating to the debt position, had in any way been breached or violated.

SEPARATE INCOME STATEMENTS OF TIM S.p.A.

(millions of euros)	2019	2019 comparable (a)	2018 (b)	Change (a/b) amount	Change (a/b) %
Revenues	**13,137**	**13,140**	**13,902**	**(762)**	**(5.5)**
Other income	198	198	252	(54)	(21.4)
Total operating revenues and other income	**13,335**	**13,338**	**14,154**	**(816)**	**(5.8)**
Acquisition of goods and services	(4,596)	(5,152)	(5,801)	649	11.2
Employee benefits expenses	(2,492)	(2,492)	(2,541)	49	1.9
Other operating expenses	(1,061)	(1,061)	(722)	(339)	(47.0)
Change in inventories	(107)	(107)	84	(191)	-
Internally generated assets	403	403	434	(31)	(7.1)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**5,482**	**4,929**	**5,608**	**(679)**	**(12.1)**
Depreciation and amortization	(3,719)	(3,232)	(3,155)	(77)	(2.4)
Gains (losses) on disposals of non-current assets	(41)	(32)	(11)	(21)	-
Impairment reversals (losses) on non-current assets	–	–	(2,683)	2,683	-
Operating profit (loss) (EBIT)	**1,722**	**1,665**	**(241)**	**1,906**	**-**
Income (expenses) from investments	117	117	71	46	64.8
Finance income	1,195	1,195	1,177	18	1.5
Finance expenses	(2,462)	(2,403)	(2,427)	24	1.0
Profit (loss) before tax	**572**	**574**	**(1,420)**	**1,994**	**-**
Income tax expense	(190)	(188)	(434)	246	56.7
Profit (loss) for the year	**382**	**386**	**(1,854)**	**2,240**	**-**

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

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)		2019	2018
Profit (loss) for the year	(a)	**382**	**(1,854)**
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		3	(4)
Income tax effect		–	–
		3	**(4)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(40)	20
Income tax effect		10	(5)
		(30)	**15**
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)	**(27)**	**11**
Other components that will be reclassified subsequently to Separate Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(36)	11
Loss (profit) transferred to the Separate Income Statement		25	–
Income tax effect		1	(3)
	(f)	**(10)**	**8**
Hedging instruments:			
Profit (loss) from fair value adjustments		(202)	70
Loss (profit) transferred to the Separate Income Statement		8	10
Income tax effect		47	(19)
	(g)	**(147)**	**61**
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)	**(157)**	**69**
Total other components of the Statement of Comprehensive Income	(k= e+i)	**(184)**	**80**
Total comprehensive income (loss) for the year	(a+k)	**198**	**(1,774)**

STATEMENTS OF FINANCIAL POSITION OF TIM S.p.A.

(millions of euros)		12/31/2019 (a)	12/31/2018 (b)	Changes (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		24,341	24,341	–
Intangible assets with a finite useful life		5,818	6,339	(521)
		30,159	**30,680**	**(521)**
Tangible assets				
Property, plant and equipment owned		10,591	10,782	(191)
Assets held under finance leases		–	1,694	(1,694)
		10,591	**12,476**	**(1,885)**
Right of use assets		**4,906**	**–**	**4,906**
Other non-current assets				
Investments		6,861	7,821	(960)
Non-current financial receivables for lease contract		16	15	1
Other non-current financial assets		2,333	1,627	706
Miscellaneous receivables and other non-current assets		1,746	1,704	42
Deferred tax assets		882	882	–
		11,838	**12,049**	**(211)**
Total Non-current assets	**(a)**	**57,494**	**55,205**	**2,289**
Current assets				
Inventories		155	262	(107)
Trade and miscellaneous receivables and other current assets		3,731	3,850	(119)
Current income tax receivables		67	166	(99)
Current financial assets				
Current financial receivables arising from lease contracts		*54*	*64*	*(10)*
Securities other than investments, other financial receivables and other current financial assets		*122*	*729*	*(607)*
Cash and cash equivalents		*829*	*885*	*(56)*
		1,005	1,678	(673)
Current assets sub-total		**4,958**	**5,956**	**(998)**
Discontinued operations/Non-current assets held for sale		**828**	**–**	**828**
Total Current assets	**(b)**	**5,786**	**5,956**	**(170)**
Total Assets	**(a+b)**	**63,280**	**61,161**	**2,119**

		12/31/2019 (a)	12/31/2018 (b)	Changes (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		**4,424**	**4,388**	**36**
Total Equity	**(c)**	**18,174**	**18,138**	**36**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		26,182	23,332	2,850
Non-current financial liabilities for lease contracts		4,002	1,445	2,557
Employee benefits		1,106	1,503	(397)
Deferred tax liabilities		2	3	(1)
Provisions		528	579	(51)
Miscellaneous payables and other non-current liabilities		2,973	3,006	(33)
Total Non-current liabilities	**(d)**	**34,793**	**29,868**	**4,925**
Current liabilities				
Current financial liabilities for financing contracts and others		3,787	7,744	(3,957)
Current financial liabilities for lease contracts		666	159	507
Trade and miscellaneous payables and oher current liabilities		5,843	5,238	605
Current income tax payables		17	14	3
Total Current Liabilities	**(e)**	**10,313**	**13,155**	**(2,842)**
Total Liabilities	**(f=d+e)**	**45,106**	**43,023**	**2,083**
Total Equity and Liabilities	**(c+f)**	**63,280**	**61,161**	**2,119**

STATEMENTS OF CASH FLOWS OF TIM S.p.A.

(millions of euros)		2019	2018
Cash flows from operating activities:			
Profit (loss) for the year		382	(1,854)
Adjustments for:			
Depreciation and amortization		3,719	3,155
Impairment losses (reversals) on non-current assets (including investments)		57	2,739
Net change in deferred tax assets and liabilities		55	(14)
Losses (gains) realized on disposals of non-current assets (including investments)		32	11
Change in provisions for employee benefits		(260)	(194)
Change in inventories		107	(84)
Change in trade receivables and net amounts due from customers on construction contracts		107	(65)
Change in trade payables		(121)	(174)
Net change in current income tax receivables/payables		100	(205)
Net change in miscellaneous receivables/payables and other assets/liabilities		217	(434)
Cash flows from (used in) operating activities	**(a)**	**4,395**	**2,881**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(2,307)	(3,144)
Capital grants received		28	108
Acquisition of control of companies or other businesses, net of cash acquired		14	–
Acquisitions/disposals of other investments		(43)	(130)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		241	265
Proceeds from sale of investments in subsidiaries		142	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets		12	24
Cash flows from (used in) investing activities	**(b)**	**(1,913)**	**(2,877)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(886)	682
Proceeds from non-current financial liabilities (including current portion)		3,814	2,723
Repayments of non-current financial liabilities (including current portion)		(4,796)	(3,534)
Changes in hedging and non-hedging derivatives		(187)	(224)
Share capital proceeds/reimbursements		–	–
Dividends paid		(166)	(166)
Cash flows from (used in) financing activities	**(c)**	**(2,221)**	**(519)**
Aggregate cash flows	**(d=a+b+c)**	**261**	**(515)**
Net cash and cash equivalents at beginning of the year	**(e)**	**(216)**	**299**
Net cash and cash equivalents at end of the year	**(f=d+e)**	**45**	**(216)**

Purchases of intangible, tangible and rights of use assets

(millions of euros)	2019	2018
Purchase of intangible assets	(819)	(3,310)
Purchase of tangible assets (1)	(1,658)	(1,791)
Purchase of right of use assets	(921)	–
Total purchase of intangible, tangible and right of use assets on an accrual basis	**(3,398)**	**(5,101)**
Change in payables arising from purchase of intangible, tangible and right of use assets	1,091	1,957
Total purchases of intangible, tangible and rights of use assets on a cash basis	**(2,307)**	**(3,144)**

(1) They include, in 2018, purchases of assets under finance leases.

Additional Cash Flow information

(millions of euros)	2019	2018
Income taxes (paid) received	(28)	(632)
Interest expense paid	(1,689)	(2,034)
Interest income received	654	953
Dividends received	140	115

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2019	2018
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents	885	771
Bank overdrafts repayable on demand	(1,101)	(472)
	(216)	**299**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents	829	885
Bank overdrafts repayable on demand	(784)	(1,101)
	45	**(216)**

NET FINANCIAL DEBT OF TIM S.p.A.

(millions of euros)	12/31/2019	12/31/2018	Change
Non-current financial liabilities			
Bonds	15,118	13,984	1,134
Amounts due to banks, other financial payables and liabilities	11,064	9,348	1,716
Finance lease liabilities	4,002	1,445	2,557
	30,184	**24,777**	**5,407**
Current financial liabilities (1)			
Bonds	1,603	2,126	(523)
Amounts due to banks, other financial payables and liabilities	2,184	5,618	(3,434)
Finance lease liabilities	666	159	507
	4,453	**7,903**	**(3,450)**
Total Gross financial debt	**34,637**	**32,680**	**1,957**
Non-current financial assets			
Non-current financial receivable for lease contracts	(16)	(15)	(1)
Financial receivables and other non-current financial assets	(2,333)	(1,627)	(706)
	(2,349)	**(1,642)**	**(707)**
Current financial assets			
Securities other than investments	–	(466)	466
Current financial receivables arising from lease contracts	(54)	(64)	10
Financial receivables and other current financial assets	(122)	(263)	141
Cash and cash equivalents	(829)	(885)	56
	(1,005)	**(1,678)**	**673**
Total financial assets	**(3,354)**	**(3,320)**	**(34)**
Net financial debt carrying amount	**31,283**	**29,360**	**1,923**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(1,543)	(1,307)	(236)
Adjusted Net Financial Debt	**29,740**	**28,053**	**1,687**
Breakdown as follows:			
Total adjusted gross financial debt	**31,992**	**30,712**	**1,280**
Total adjusted financial assets	**(2,252)**	**(2,659)**	**407**
(1) of which current portion of medium/long -term debt:			
Bonds	*1,603*	*2,126*	*(523)*
Amounts due to banks, other financial payables and liabilities	*905*	*3,372*	*(2,467)*
Finance lease liabilities	*666*	*159*	*507*

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)	2019	2018
Operating revenues and other income	**6**	**(62)**
Revenue adjustments of previous years	(15)	(62)
Other income	21	–
Acquisition of goods and services	**(14)**	**(13)**
Professional expenses, consulting services and other costs	(14)	(13)
Employee benefits expenses	**(248)**	**(221)**
Expenses related to corporate reorganization/ restructuring processes	(248)	(221)
Other operating expenses	**(412)**	**(108)**
Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers	(396)	(87)
Sundry expenses	(16)	(21)
Impact on operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(668)**	**(404)**
Impairment reversals (losses) on non-current assets	**–**	**(2,686)**
Goodwill impairment charges	–	(2,686)
Impact on EBIT - Operating profit (loss)	**(668)**	**(3,090)**
Other income (expenses) from investments	**5**	**–**
Other finance income (expenses)	**(10)**	**(9)**
Impact on profit (loss) before tax	**(673)**	**(3,099)**
Income taxes on non-recurring items	158	75
Impact on profit (loss) for the year	**(515)**	**(3,024)**

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 the purposes of enabling a better understanding of the performance of operations and the financial position of 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.

In particular, 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, amounts connected with the accounting treatment of the finance leasing contracts according to IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019). This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent, TIM S.p.A., in addition to EBIT;
- **Adjusted net financial debt After Leases**, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of the finance lease contracts in accordance with IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019). TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations.

The other alternative performance measures used are described below:

- **EBITDA:** this financial measure is used by TIM as the 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 Business Unit level) and of the Parent, 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 profits (losses) 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 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 and impact of the non-recurring items on 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, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance (as a whole and with reference to the Business Units) and of the Parent; it is therefore also used in the presentations to analysts and investors. This press release provides a reconciliation between the "reported figure" and the "organic excluding the non-recurring component" figure.

- **EBITDA margin and EBIT margin:** TIM believes that these margins represent useful indicators of the ability of the Group, as a whole and at Business Unit level, and of the Parent 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 financial year being reported with those of the previous 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. This press release includes two tables showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group and Parent.
  To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

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 relating to 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**