

FINANCIAL INFORMATION AT MARCH 31, 2020



*This document has been translated into English for the convenience of the readers.
In the event of discrepancy, the Italian language version prevails.*

CONTENTS

HIGHLIGHTS	3
INTRODUCTION	6
MAIN CHANGES IN THE SCOPE OF CONSOLIDATION OF THE TIM GROUP	6
TIM GROUP RESULTS FOR THE FIRST QUARTER 2020	7
RESULTS OF THE BUSINESS UNITS	11
AFTER LEASE INDICATORS	14
BUSINESS OUTLOOK FOR THE YEAR 2020	15
EVENTS SUBSEQUENT TO MARCH 31, 2020	15
MAIN RISKS AND UNCERTAINTIES	16
ATTACHMENTS	18
TIM GROUP – FINANCIAL HIGHLIGHTS	18
TIM GROUP – RECLASSIFIED STATEMENTS	19
SEPARATE CONSOLIDATED INCOME STATEMENTS OF THE TIM GROUP	19
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE TIM GROUP	20
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION THE TIM GROUP	21
CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TIM GROUP	23
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE TIM GROUP	25
NET FINANCIAL DEBT OF THE TIM GROUP	26
CHANGE IN ADJUSTED NET FINANCIAL DEBT OF THE TIM GROUP	27
INFORMATION BY OPERATING SEGMENTS OF THE TIM GROUP	28
DOMESTIC	28
BRAZIL	30
HEADCOUNT OF THE TIM GROUP	31
EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS OF THE TIM GROUP	32
TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS	33
DISPUTES AND PENDING LEGAL ACTIONS	35
ALTERNATIVE PERFORMANCE MEASURES	41

TIM S.p.A.

Registered Office Via Gaetano Negri n. 1 - Milan

Headquarters and Secondary Office in Corso d'Italia n. 41 - Rome

PEC (Certified Electronic Mail) box: telecomitalia@pec.telecomitalia.it

Share Capital 11,677,002,855.10 euros, fully paid up

Tax Code/VAT no. and Milan-Monza Brianza-Lodi Companies Register file no. 00488410010

TIM's Board of Directors met on May 18, 2020 chaired by Salvatore Rossi to approve the Group's Financial Information at March 31, 2020.

HIGHLIGHTS

PERFORMANCE IN THE FIRST QUARTER 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.

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.

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.

INTRODUCTION

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 ⁽¹⁾ 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

(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.

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	1st Quarter	Changes	
	2020	2019	amount	%
EBITDA	1,735	1,946	(211)	(10.8)
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	1st Quarter	Changes	
	2020	2019	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)
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	176	(578)	754
Adjusted Net Financial Debt	26,745	27,668	(923)
<i>Leasing</i>	(5,034)	(5,204)	170
<i>Leasing - Discontinued operations/Non-current assets held for sale:</i>	-	(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 Telefonía 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.

* * *

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:

	1st Quarter		Changes	
	2020	2019	amount	%
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	1st Quarter	Changes	
	2020	2019	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	1st Quarter	Changes	
	2020	2019	amount	%
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	1st Quarter	Changes	
	2020	2019	amount	%
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	1st Quarter	Changes	
	2020	2019	amount	%
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 May 18, 2020, 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.

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.

ATTACHMENTS

TIM GROUP – FINANCIAL HIGHLIGHTS

(millions of euros)	1st Quarter	1st Quarter	% Change	
	2020	2019	organic excluding non-recurring	
	(a)	(b)	(a-b)	
Revenues	3,964	4,471	(11.3)	(8.4)
EBITDA ⁽¹⁾	1,735	1,946	(10.8)	(7.5)
EBITDA Margin	43.8%	43.5%	0.3pp	
Organic EBITDA Margin excluding non-recurring	44.6%	44.1%		0.5pp
EBIT ⁽¹⁾	533	683	(22.0)	(18.2)
EBIT Margin	13.4%	15.3%	(1.9)pp	
Organic EBIT Margin excluding non-recurring	14.4%	16.1%		(1.7)pp
Profit (loss) for the period attributable to owners of the Parent	560	165	-	
Capital Expenditures & spectrum	599	607	(1.3)	
	3/31/2020	12/31/2019	Change Amount	
	(a)	(b)	(a-b)	
Adjusted Net Financial Debt ⁽¹⁾	26,745	27,668	(923)	

1) Details are provided under “Alternative Performance Measures”.

TIM GROUP – RECLASSIFIED STATEMENTS

The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity as well as the Consolidated Net Financial Debt of the TIM Group, herewith presented, are consistent with the consolidated financial statements included in the Annual Financial Report and in the Half-Year Financial Report. Such statements were not audited by the audit firm.

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2019, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2020.

SEPARATE CONSOLIDATED INCOME STATEMENTS OF THE TIM GROUP

	1st Quarter	1st Quarter	Change	
	2020	2019	(a-b)	
		(b)	amount	%
Revenues	3,964	4,471	(507)	(11.3)
Other income	40	46	(6)	(13.0)
Total operating revenues and other income	4,004	4,517	(513)	(11.4)
Acquisition of goods and services	(1,454)	(1,595)	141	8.8
Employee benefits expenses	(715)	(740)	25	3.4
Other operating expenses	(272)	(309)	37	12.0
Change in inventories	33	(64)	97	–
Internally generated assets	139	137	2	1.5
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	1,735	1,946	(211)	(10.8)
Depreciation and amortization	(1,201)	(1,264)	63	5.0
Gains (losses) on disposals of non-current assets	(1)	1	(2)	–
Impairment reversals (losses) on non-current assets	–	–	–	–
Operating profit (loss) (EBIT)	533	683	(150)	(22.0)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	–	(4)	4	–
Other income (expenses) from investments	441	–	441	–
Finance income	410	354	56	15.8
Finance expenses	(711)	(737)	26	3.5
Profit (loss) before tax from continuing operations	673	296	377	–
Income tax expense	(82)	(109)	27	24.8
Profit (loss) from continuing operations	591	187	404	–
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–	–
Profit (loss) for the period	591	187	404	–
Attributable to:				
Owners of the Parent	560	165	395	–
Non-controlling interests	31	22	9	40.9

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 period, as shown in the Separate Consolidated Income Statements, and all non-owner changes in equity

(millions of euros)	1st Quarter 2020	1st Quarter 2019
Profit (loss) for the period (a)	591	187
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	(10)	3
Income tax effect	-	-
(b)	(10)	3
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	-	-
Income tax effect	-	-
(c)	-	-
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)	(10)	3
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	(21)	21
Loss (profit) transferred to Separate Consolidated Income Statement	3	(3)
Income tax effect	(1)	(1)
(f)	(19)	17
Hedging instruments:		
Profit (loss) from fair value adjustments	868	204
Loss (profit) transferred to Separate Consolidated Income Statement	(104)	(189)
Income tax effect	(185)	(4)
(g)	579	11
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	(1,125)	70
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	-	-
Income tax effect	-	-
(h)	(1,125)	70
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)	(565)	98
Total other components of the Consolidated Statement of Comprehensive Income (m=e+k)	(575)	101
Total comprehensive income (loss) for the period (a+m)	16	288
Attributable to:		
Owners of the Parent	331	246
Non-controlling interests	(315)	42

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION THE TIM GROUP

(millions of euros)	3/31/2020	12/31/2019	Change
	(a)	(b)	(a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	22,908	23,083	(175)
Intangible assets with a finite useful life	7,119	7,667	(548)
	30,027	30,750	(723)
Tangible assets			
Property, plant and equipment owned	13,287	14,011	(724)
Rights of use assets	5,276	5,494	(218)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	3,408	11	3,397
Other investments	44	52	(8)
Non-current financial receivable for lease contracts	51	51	-
Other non-current financial assets	3,065	2,100	965
Miscellaneous receivables and other non-current assets	2,387	2,585	(198)
Deferred tax assets	937	942	(5)
	9,892	5,741	4,151
Total Non-current assets (a)	58,482	55,996	2,486
Current assets			
Inventories	282	260	22
Trade and miscellaneous receivables and other current assets	4,889	4,857	32
Current income tax receivables	49	149	(100)
Current financial assets			
Current financial receivables arising from lease contracts	43	58	(15)
Securities other than investments, other financial receivables and other current financial assets	985	999	(14)
Cash and cash equivalents	3,265	3,138	127
	4,293	4,195	98
Current assets sub-total	9,513	9,461	52
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)	9,513	14,108	(4,595)
Total Assets (a+b)	67,995	70,104	(2,109)

The company has not found any evidence that the value of assets with an indefinite life is likely to be impaired in the long term compared to the value measured for the purposes of the 2019 financial statements.

(millions of euros)

	3/31/2020	12/31/2019	Change
	(a)	(b)	(a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	20,623	20,280	343
Non-controlling interests	1,388	2,346	(958)
Total Equity (c)	22,011	22,626	(615)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	25,396	25,605	(209)
Non-current financial liabilities for lease contracts	4,380	4,576	(196)
Employee benefits	1,179	1,182	(3)
Deferred tax liabilities	419	248	171
Provisions	688	725	(37)
Miscellaneous payables and other non-current liabilities	3,104	3,214	(110)
Total Non-current liabilities (d)	35,166	35,550	(384)
Current liabilities			
Current financial liabilities for financing contracts and others	3,523	3,182	341
Current financial liabilities for lease contracts	679	639	40
Trade and miscellaneous payables and other current liabilities	6,573	7,218	(645)
Current income tax payables	43	84	(41)
Current liabilities sub-total	10,818	11,123	(305)
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)	10,818	11,928	(1,110)
Total Liabilities (f=d+e)	45,984	47,478	(1,494)
Total Equity and Liabilities (c+f)	67,995	70,104	(2,109)

CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TIM GROUP

(millions of euros)

	1st Quarter 2020	1st Quarter 2019
Cash flows from operating activities:		
Profit (loss) from continuing operations	591	187
Adjustments for:		
Depreciation and amortization	1,201	1,264
Impairment losses (reversals) on non-current assets (including investments)	16	4
Net change in deferred tax assets and liabilities	(1)	(76)
Losses (gains) realized on disposals of non-current assets (including investments)	(439)	(1)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	–	4
Change in provisions for employee benefits	(8)	(13)
Change in inventories	(22)	64
Change in trade receivables and net amounts due from customers on construction contracts	258	(230)
Change in trade payables	(394)	(124)
Net change in current income tax receivables/payables	64	176
Net change in miscellaneous receivables/payables and other assets/liabilities	1,104	230
Cash flows from (used in) operating activities (a)	2,370	1,485
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(1,136)	(1,177)
Capital grants received	23	5
Acquisition of control of companies or other businesses, net of cash acquired	–	–
Acquisitions/disposals of other investments	(2)	–
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	27	(81)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	(33)	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets	2	–
Cash flows from (used in) investing activities (b)	(1,119)	(1,253)
Cash flows from financing activities:		
Change in current financial liabilities and other	(200)	(226)
Proceeds from non-current financial liabilities (including current portion)	976	1,824
Repayments of non-current financial liabilities (including current portion)	(1,109)	(1,086)
Changes in hedging and non-hedging derivatives	(732)	(253)
Share capital proceeds/reimbursements (including subsidiaries)	–	–
Dividends paid	(40)	(25)
Changes in ownership interests in consolidated subsidiaries	(1)	–
Cash flows from (used in) financing activities (c)	(1,106)	234
Cash flows from (used in) Discontinued operations/Non-current assets held for sale (d)	–	–
Aggregate cash flows (e=a+b+c+d)	145	466
Net cash and cash equivalents at beginning of the period (f)	3,202	1,631
Net foreign exchange differences on net cash and cash equivalents (g)	(83)	6
Net cash and cash equivalents at end of the period (h=e+f+g)	3,264	2,103

Purchases of intangible, tangible and rights of use assets

(millions of euros)	1st Quarter 2020	1st Quarter 2019
Purchase of intangible assets	(226)	(146)
Purchase of tangible assets	(367)	(458)
Purchase of rights of use assets	(570)	(51)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(1,163)	(655)
Change in payables arising from purchase of intangible, tangible and rights of use assets	27	(522)
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,136)	(1,177)

Additional Cash Flow information

(millions of euros)	1st Quarter 2020	1st Quarter 2019
Income taxes (paid) received	(37)	(20)
Interest expense paid	(499)	(521)
Interest income received	77	75
Dividends received	–	–

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Quarter 2020	1st Quarter 2019
Net cash and cash equivalents at beginning of the period		
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 cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	3,265	2,103
Bank overdrafts repayable on demand – from continuing operations	(1)	–
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	–	–
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	3,264	2,103

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE TIM GROUP

Changes from January 1, 2019 to March 31, 2019

(millions of euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	Total		
Balance at December 31, 2018	11,587	2,094	30	(563)	(1,340)	(90)	-	7,810	19,528	2,219	21,747
Changes in equity during the period:											
Dividends approved								(166)	(166)	(55)	(221)
Total comprehensive income (loss) for the period			20	11	50			165	246	42	288
Grant of equity instruments								1	1		1
Other changes								3	3	1	4
Balance at March 31, 2019	11,587	2,094	50	(552)	(1,290)	(90)	-	7,813	19,612	2,207	21,819

Changes from January 1, 2020 to March 31, 2020

(millions of euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	Total		
Balance at December 31, 2019	11,587	2,094	19	(440)	(1,417)	(124)	-	8,561	20,280	2,346	22,626
Changes in equity during the period:											
Dividends approved									-		-
Total comprehensive income (loss) for the period			(29)	579	(779)			560	331	(315)	16
Grant of equity instruments								(5)	(5)		(5)
INWIT - deconsolidation										(644)	(644)
Other changes								17	17	1	18
Balance at March 31, 2020	11,587	2,094	(10)	139	(2,196)	(124)	-	9,133	20,623	1,388	22,011

NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	3/31/2020 (a)	12/31/2019 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,343	19,773	(430)
Amounts due to banks, other financial payables and liabilities	6,053	5,832	221
Non-current financial liabilities for lease contracts	4,380	4,576	(196)
	29,776	30,181	(405)
Current financial liabilities (*)			
Bonds	1,604	1,958	(354)
Amounts due to banks, other financial payables and liabilities	1,919	1,224	695
Current financial liabilities for lease contracts	679	639	40
	4,202	3,821	381
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	–	655	(655)
Total Gross financial debt	33,978	34,657	(679)
Non-current financial assets			
Securities other than investments	–	–	–
Non-current financial receivable for lease contracts	(51)	(51)	–
Financial receivables and other non-current financial assets	(3,065)	(2,100)	(965)
	(3,116)	(2,151)	(965)
Current financial assets			
Securities other than investments	(824)	(877)	53
Current financial receivables arising from lease contracts	(43)	(58)	15
Financial receivables and other current financial assets	(161)	(122)	(39)
Cash and cash equivalents	(3,265)	(3,138)	(127)
	(4,293)	(4,195)	(98)
Financial assets relating to Discontinued operations/Non-current assets held for sale	–	(65)	65
Total financial assets	(7,409)	(6,411)	(998)
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)
Breakdown as follows:			
Total adjusted gross financial debt	32,040	32,782	(742)
Total adjusted financial assets	(5,295)	(5,114)	(181)
(*) of which current portion of medium/long-term debt:			
Bonds	1,604	1,958	(354)
Amounts due to banks, other financial payables and liabilities	441	446	(5)
Current financial liabilities for lease contracts	679	639	40

CHANGE IN ADJUSTED NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	1st Quarter 2020 (a)	1st Quarter 2019 (b)	Change (a-b)
EBITDA	1,735	1,946	(211)
Capital expenditures on an accrual basis	(599)	(607)	8
Change in net operating working capital:	(229)	(633)	404
<i>Change in inventories</i>	(22)	64	(86)
<i>Change in trade receivables and net amounts due from customers on construction contracts</i>	258	(230)	488
<i>Change in trade payables</i>	(931)	(695)	(236)
<i>Other changes in operating receivables/payables</i>	466	228	238
Change in provisions for employee benefits	(8)	(13)	5
Change in operating provisions and Other changes	(111)	(3)	(108)
Net operating free cash flow	788	690	98
<i>% of Revenues</i>	<i>19.9</i>	<i>15.4</i>	<i>4.5 pp</i>
Sale of investments and other disposals flow	618	–	618
Share capital increases/reimbursements, including incidental expenses	–	–	–
Financial investments	(5)	–	(5)
Dividends payment	(40)	(25)	(15)
Increases in finance lease contracts	(564)	(48)	(516)
Finance expenses, income taxes and other net non-operating requirements flow	126	(377)	503
Impact of the application of IFRS 16 at 1/1/2019	–	(3,553)	3,553
Reduction/(Increase) in adjusted net financial debt from continuing operations	923	(3,313)	4,236
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	–	–	–
Reduction/(Increase) in adjusted net financial debt	923	(3,313)	4,236

INFORMATION BY OPERATING SEGMENTS OF THE TIM GROUP

DOMESTIC

(millions of euros)	1st Quarter	1st Quarter	Change		
	2020	2019	amount	%	% organic excluding non-recurring
Revenues	3,113	3,502	(389)	(11.1)	(10.6)
EBITDA	1,346	1,534	(188)	(12.3)	(11.1)
EBITDA margin	43.2	43.8	(0.6) pp		(0.2) pp
EBIT	430	584	(154)	(26.4)	(23.5)
EBIT margin	13.8	16.7	(2.9) pp		(2.5) pp
Headcount at period-end (number) ^(*)	45,380	(*) 45,496	(116)	(0.3)	

(*) Includes employees with temp work contracts: 4 units at March 31, 2020 (5 units at December 31, 2019).

(*) Headcount at December 31, 2019.

Fixed

	3/31/2020	12/31/2019	3/31/2019
Total TIM Retail accesses (thousands)	8,981	9,166	9,931
of which NGN ⁽¹⁾	3,789	3,670	3,400
Total TIM Wholesale accesses (thousands)	8,003	8,051	8,093
of which NGN	3,549	3,309	2,616
Active Broadband accesses of TIM Retail (thousands)	7,567	7,592	7,354
Consumer ARPU (€/month) ⁽²⁾	33.8	34.9	35.6
Broadband ARPU (€/month) ⁽³⁾	25.6	27.7	29.0

(1) UltraBroadband access in FTTx and FWA mode, also including "data only" lines.

(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.

(3) Revenues from organic broadband services in proportion to the average active TIM retail broadband accesses.

Mobile

	3/31/2020	12/31/2019	3/31/2019
Lines at period end (thousands)	30,522	30,895	31,748
of which Human	20,424	21,003	22,256
Churn rate (%) ⁽⁴⁾	5.3	20.4	5.2
Broadband users (thousands) ⁽⁵⁾	12,673	12,823	13,125
Retail ARPU (€/month) ⁽⁶⁾	8.3	8.7	8.7
Human ARPU (€/month) ⁽⁷⁾	12.3	12.6	12.4

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.

(5) Mobile lines using data services.

(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Key results for first quarter 2020 for the Domestic Business Unit are presented in the following table, broken down by market/business segment and compared to first quarter 2019:

(millions of euros)	1st Quarter 2020	1st Quarter 2019	Change		
			amount	%	% organic excluding non- recurring
Revenues	3,113	3,502	(389)	(11.1)	(10.6)
Consumer	1,473	1,693	(220)	(13.0)	(12.7)
Business	985	1,141	(156)	(13.7)	(12.8)
Wholesale National Market	437	423	14	3.3	3.3
Wholesale International Market	221	238	(17)	(7.1)	(7.5)
Other	(3)	7	(10)		

BRAZIL

	(millions of euros)		(millions of Brazilian reais)		Change		
	1st Quarter 2020	1st Quarter 2019	1st Quarter 2020	1st Quarter 2019	amount	%	% organic excluding non- recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	859	979	4,215	4,191	24	0.6	0.6
EBITDA	390	414	1,916	1,772	144	8.1	8.1
EBITDA margin	45.5	42.3	45.5	42.3		3.2 pp	3.2 pp
EBIT	105	101	515	434	81	18.7	18.7
EBIT margin	12.2	10.4	12.2	10.4		1.8 pp	1.8 pp
Headcount at period-end (number)			9,576	(*)9,689	(113)	(1.2)	

(*) Headcount at December 31, 2019.

HEADCOUNT OF THE TIM GROUP

Average salaried workforce

(equivalent number)	1 st Quarter 2020	1 st Quarter 2019	Change
Average salaried workforce – Italy	41,271	42,768	(1,497)
Average salaried workforce – Outside Italy	9,387	9,204	183
Total average salaried workforce ⁽¹⁾	50,658	51,972	(1,314)

(1) Includes employees with temp work contracts: 4 average employees in Italy in the 1st Quarter 2020; 4 average employees in Italy in the 1st Quarter 2019.

Headcount at period end

(number)	3/31/2020	12/31/2019	Change
Headcount – Italy	45,146	45,266	(120)
Headcount – Outside Italy	9,823	9,932	(109)
Total headcount at period end ⁽¹⁾	54,969	55,198	(229)

(1) Includes employees with temp work contracts: 4 employees in Italy at 3/1/2020; 5 employees in Italy at 12/31/2019.

Headcount at period end – Breakdown by Business Unit

(number)	3/31/2020	12/31/2019	Change
Domestic	45,380	45,496	(116)
Brazil	9,576	9,689	(113)
Other Operations	13	13	0
Total	54,969	55,198	(229)

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:

(millions of euros)	1st Quarter 2020	1st Quarter 2019
Revenues:		
Revenues adjustments	(15)	(14)
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(9)	(2)
Employee benefits expenses:		
Expenses related to corporate restructuring/rationalization and other	(4)	(1)
Other operating expenses:		
Sundry expenses and other provisions	(11)	(17)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(39)	(34)
Impact on EBIT - Operating profit (loss)	(39)	(34)
Other income (expenses) from investments:		
Net gain INWIT transaction	441	-
Finance expenses:		
Miscellaneous finance expenses	(1)	(3)
Impact on profit (loss) before tax from continuing operations	401	(37)
Income taxes on non-recurring items	12	5
Impact on profit (loss) for the period	413	(32)

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at March 31, 2020.

(billions of euros)	3/31/2020		12/31/2019	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	-	5.0	-
Total	5.0	-	5.0	-

At March 31, 2020, TIM had bilateral Term Loans for 1,750 million euros with various banking counterparties and overdraft facilities for 690 million euros, drawn down for the full amount.

Bonds

The change in bonds in the first quarter of 2020 was as follows

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 719 million euros 4.000% ⁽¹⁾	Euro	719	1/21/2020

⁽¹⁾ Net of buy-backs totaling 281 million euros made by the company in 2015.

With reference to Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at March 31, 2020 was 206 million euros, up by 1 million euros compared to December 31, 2019 (205 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 March 31, 2020 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 1,287 million euros. with the following detail:

- 175.6 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⁽²⁾; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since 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 March 31, 2020, 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:

⁽²⁾ A change of control event can result in the early repayment of the convertible bond of TIM S.p.A., as further detailed below.

- 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.

Finally, as at March 31, 2020, no *covenant*, *negative pledge* or other clause relating to the debt position, had in any way been breached or violated.

DISPUTES AND PENDING LEGAL ACTIONS

The most significant arbitration cases and legal and fiscal disputes TIM Group companies are involved in as of March 31, 2020, including those closed during the period, are described below.

The TIM Group has posted liabilities totaling 603 million euros for those disputes described below where the risk of losing the case has been considered probable.

It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Financial Information at March 31, 2020, and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.

Lastly, as regards the proceedings with the Antitrust Authority, please note that based on Article 15, paragraph 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

A) SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONS

No significant events occurred for the following disputes and legal actions compared to what was published in the 2019 Annual Financial Report:

- Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair;
- Golden Power Case;
- Italian Competition Authority (AGCM) Case A428;
- Vodafone, Colt Technology Services, COMM 3000, Teleunit, Siportal, MC-Link disputes (connected with the Antitrust Case A428);
- Antitrust Case I761;
- Wind (I761);
- Vodafone (I761);
- Italian Competition Authority (AGCM) Case A514;
- Antitrust Case I799;
- Vodafone;
- Eutelia and Voiceplus;
- Data Protection Authority Case;
- Vodafone Dispute – Universal Service;
- Dispute on "Adjustments to license fees" for the years 1994-1998;
- Poste;
- Elinet S.p.A. Bankruptcy;
- Brazil – Opportunity Arbitration;

International tax and regulatory disputes

As of March 31, 2020, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16.6 billion reais (16.2 billion reais at December 31, 2019). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

On March 22, 2011, TIM Celular S.A. (company incorporated into TIM S.A. starting from October 31, 2018) was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1,265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation concerning financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A. (formerly Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalizing the corporate structure in Brazil.

The assessment notice includes various adjustments; the main challenges may be summarized as follows:

- non-recognition of the tax effects of the merger of TIM Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the tax-deductibility of the amortization of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. ("TNC");
- non-recognition of certain tax offsets;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself.

The adjustments included in the assessment notice were disputed by TIM Celular, in administrative court, with the filing of its first objections on April 20, 2011. On April 20, 2012, TIM Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; TIM Celular promptly filed an appeal against this decision on May 21, 2012.

The Company, as confirmed by specific legal opinions, believes it is unlikely that significant disbursements can be expected.

Still in relation to the federal level of taxation, the following additional disputes should also be noted:

- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 4.4 billion reais (4.3 billion reais at December 31, 2019).

State taxes

Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Celular on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance.

In February 2018 the State of São Paulo notified two tax assessments regarding ICMS to TIM Celular, for a total amount of 679 million reais (at the date of the assessment, including fines and interest). The first assessment (344 million reais) regarded a challenge of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States. The second assessment (335 million reais) challenged ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups.

In June 2018 the State of São Paulo notified two further tax assessments to TIM Celular, again relating to ICMS, for a total amount of 369 million reais (at the date of the assessment, including fines and interest). This assessment too relates to ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers against subsequent top-ups, as well as to the fines imposed for ICMS breaches. For a minor part of the claim, the company decided to authorize payment of the amount requested, instead of starting legal proceedings, benefiting from a discount on the fine. The dispute thus continues for the remaining amount, 296 million reais.

In late March 2020, the State of São Paulo issued a further tax assessment to the Company (TIM S.A., as the incorporating company of TIM Celular), for a total amount of 362 million reais (at the date of the assessment, including fines and interest). The notice is based on two alleged infringements: (i) the contestation of the ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups, for the period April-October 2015; and (ii) the discrepancy between the information submitted with periodic reports and figures on taxes paid (discrepancy due to differences in reporting arrangements).

Overall, the risk for these cases, considered to be possible, amounts to 8.5 billion reais (8.2 billion reais at December 31, 2019).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 0.7 billion reais (around 0.7 billion reais at December 31, 2019).

FUST and FUNTTEL

The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.

Overall, the risk for these cases, considered to be possible, amounts to 3 billion reais (3 billion reais at December 31, 2019).

As regards the tax receivables recognized following the positive outcome of tax disputes concerning the inclusion of ICMS in the basis for calculating the PIS/COFINS contribution, refer to the information published in the 2019 Annual Financial Report. Moreover, also during the first quarter of 2020, TIM S.A. proceeded with the use of registered tax receivables, in accordance with the formal certification procedures provided by the Brazilian tax authorities.

28-day billing

Resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State on June 18, 2018 and the hearing is set for May 7, 2020.

With its Resolution 499/17/CONS, having confirmed the breach of Resolution 121/17/CONS, AGCom fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles. TIM also appealed this second resolution to the Regional Administrative Court of Lazio, asking for its precautionary suspension which, on February 22, 2018, was accepted by the Regional Administrative Court of Lazio limited to the part relating to the reimbursement orders.

Subsequently, Law no 172 of December 4, 2017 decreed that contracts for the supply of electronic communications services should obligatorily prescribe that the renewal of offers and the billing of services be based on a month, or multiples thereof. TIM adapted to this order within the period of time prescribed by law, namely within 120 days of the date it came into force (April 5, 2018).

In March 2018, with Decision 112/2018/CONS AGCom (i) cautioned TIM, with regard to fixed-line voice services only, against postponing the starting date of invoices issued after the return to monthly invoicing by the same number of days as those presumably deducted starting from June 23, 2017 with the four-weekly invoicing cycle; and (ii) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle. This resolution was also challenged by with an additional submission triggered as part of the appeal against resolution 499/17/CONS, with a request for single precautionary measures, which was provisionally granted until the hearing before the Council on April 11, 2018 with a Presidential Decree published on March 26, 2017.

Under Presidential Decree 9/18/PRES of April 9, 2018, AGCom amended the provisions of Decision 112/18/CONS requiring the deferment of billing once the billing cycle was restored to monthly intervals, or multiples thereof, while also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main

consumer protection associations. TIM and the other operators affected by the presidential decree waived the precautionary petition against Resolution 112/18/CONS. In May 2018, TIM therefore appealed AGCom Presidential Decree 9/18/PRES and Resolution 187/18/CONS which ratified this decree.

In July 2018, AGCom issued resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators must return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. TIM, in keeping with actions taken and arguments made, intends to appeal this resolution.

In September 2018, TIM appealed Resolution 297/18/CONS in which AGCom imposed a fine of 696,000 euros for having continued to adopt four-weekly billing and renewal of consumer offers as from February 16, 2018 (and until March 31, 2018).

With the judgment published in November 2018, the TAR canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of restitutio in integrum to the fixed-line customers by December 31, 2018. TIM submitted its preventive appeal before the Council of State to interrupt execution of said decision and, with its ruling of December 20, 2018, the Council of State, in upholding TIM's appeal, interrupted the effectiveness of the aforesaid decision for the reversal order only, until March 31, 2019.

In November, 2018, AGCom published resolution 521/18/CONS with which it imposed a sanction of 1,044,000 euros on TIM. The sanction was imposed for breach of the transparency rules and rights to withdraw in amending the contractual terms and conditions of the mobile offers applied to customers starting from April 8, 2018 following restoration of monthly billing. TIM appealed this resolution as well to the Regional Administrative Court in January 2019. Following a new application submitted by TIM, the Council of State, with its ruling published on March 20, 2019, extended the precautionary measure to suspend the effectiveness of the decision until May 21, 2019 while awaiting publication of the grounds for the judgment. Having acknowledged the publication of the grounds of the ruling handed down on May 10, 2019, the Council on May 21, 2019 ordered postponement of discussion of the application for precautionary measures to the Council meeting of July 4, 2019 in order to allow TIM to finalize its additional grounds with a new application for precautionary measures. Following this hearing, the Council of State rejected TIM's application to suspend execution of the ruling of the Regional Administrative Court with its ruling published on July 5, 2019, so it is operational starting from May 21, 2019. The hearing to discuss the introductory appeal and additional grounds submitted by TIM in the meantime is still, as of writing, to be set. On July 12, 2019 the ruling mechanisms with which the Council of State rejected the similar appeals made by Vodafone, Wind Tre and Fastweb were published and in February 2020 the judgments containing the grounds were published.

In September 2019, TIM also challenged resolution 221/19/CONS, before the Regional Administrative Court (TAR), with which the sanction pursuant to Resolution 499/17/CONS, canceled by the Regional Administrative Court of Lazio, was recalculated to the amount of 580,000.00 euros, with the maximum fine provided for by Art. 98, paragraph 16 of the CCE in force at the time of the events applied.

In August 2019, AGCom initiated new proceedings (CONT 12/19/DTC) for failure to comply with the order to refund the days eroded by billing every 28 days for fixed network and convergent customers, according to the procedures established with resolutions nos. 112/18/CONS and 269/18/CONS. On conclusion of these proceedings, by means of Resolution 75/20/CONS, the Authority found that TIM did not comply with the above resolutions, imposing a fine of 3 million euros. TIM will appeal this decision before the Regional Administrative Court (TAR).

In June 2019, TIM had in any case decided to offer its fixed network customers, active prior to the March 31, 2018 and subjected to billing every 28 days, the possibility of accepting a compensatory solution, an alternative to refunding the eroded days pursuant to AGCom resolution no. 269/18/CONS. Subsequently, from September 2019, TIM decided to also accept requests for the refund of the eroded days. In both cases, TIM informed customers with several messages in the bill, on the web in the main newspapers. The initiatives just described were communicated to AGCom as part of the aforementioned penalty proceedings.

Antitrust Case I820

On February 19, 2018, AGCM initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb and Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Article 101 of the TFUE.

The presumed coordination, according to the opening provision of the proceedings by AGCM, would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Decree Law 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure. In its session on June 27, 2018, AGCM took note of the brief submitted by TIM regarding compliance with the precautionary measure.

On July 17, 2019, AGCM resolved to extend the deadline for conclusion of the proceedings until January 31, 2020. In the findings of the preliminary inquiry (CRI) communicated by AGCM to TIM, the Offices confirm the existence of a unique, complex and continuous agreement restricting competition between Telecom, Vodafone, Fastweb and Wind Tre, with the facilitation of the Asstel category association. On October 10, TIM filed its final brief, and the final hearing was held on October 15 at AGCM. On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM confirmed the existence of the agreement between Telecom, Vodafone, Fastweb and WindTre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. TIM contested the sanction without requesting a suspension on the grounds that the deadline for payment was extended by the Authority to October 1, 2020.

Wind Tre

With writ of summons before the Milan Court, served in April 2019, Wind Tre S.p.A. filed a damages claim against TIM for approximately 255 million euros in compensation for damages arising from alleged anticompetitive conduct in the years 2014-2018. More specifically, according to Wind Tre, TIM allegedly illegally used information gained when supplying provisioning and wholesale services assurance through its sales division to convince customers to return to TIM or to activate the new user with TIM; carried out commercial promotion activity for TIM through its technical personnel when repairing failures or activating Wind Tre users; behaved unfairly in order to get Wind Tre customers to switch over to TIM. To support its arguments, Wind Tre also pleads some elements that emerged during the investigation for the AGCM A514 case. TIM has filed an appearance, fully contesting the claims of the other party and making a counterclaim, based on facts similar to those put forward by the plaintiff, reserving the right to quantify the damages suffered. In its initial pleadings, Wind Tre extended its claims to June 2019 and quantified the damages claimed at approximately 346 million euros. TIM has made its counterclaim for around 20 million euros for damage to its commercial image, as well as damage due to loss of customers, to be quantified in the course of the proceedings, possibly on an "ex aequo et bono" basis.

Antitrust Case PS11379 – mobile winback actions

Started on February 26, 2019 on the report of Iliad, the proceedings concern the alleged misconduct of mobile winback actions. The challenged aspects concern deceptive communication given to the target of reference and the aggressiveness of the conduct, since in the opinion of the AGCM Authority there would be pre-activated services in the offers made to customers. TIM believes that the commercial proposition of its mobile offers is fair, but to ensure ever-increasing transparency for its customers, during the course of the proceedings TIM gave commitments mainly aimed at improving the information relating to the components of the offer subject of the dispute. In spite of rejection of the commitments, TIM commenced the implementation of the proposed remedies as proof of good faith and of its fair conduct. Proceedings have also been started against the other major operators. The proceedings were concluded on December 20, 2019 with assessment of the unfairness of the conduct challenged, ordering TIM to pay to 4.8 million euros (Vodafone ordered to pay 6 million euros and Wind Tre 4.3 million euros). The decision has been appealed before the regional administrative court.

Antitrust Case PS11532 – TIM in Nave

Launched on December 4, 2019 prompted by complaints filed by several consumers, the proceedings, for the "TIM in Nave" service with the challenge of Deceptiveness on customer information profiles and aggressiveness profiles. "TIM in Nave" is not an ancillary service, but, in full compliance with the sector regulations, a type of roaming tariff which is activated when the customer is under the maritime coverage network. Significant commitments were made to improve information, making the consumer fully aware of how "TIM in Nave" works. Following the suspension of the terms set out in Legislative Decree 18 of March 17, 2020 in view of the current health emergency, the closure of the preliminary phase of the proceedings has been postponed until June 2020, so the closure of the proceedings will presumably be postponed until July 2020. Similar proceedings are also in progress against the other major operators.

Antitrust Case IP 327 - IBAN discrimination

Officially started on December 23, 2019 by the Authority, the proceedings concern the alleged non-compliance with the provisions of PV4 on IBAN Discrimination, dated April 2019. In particular, AGCM disputes that the direct debit process on the web channel is not yet automated and therefore the customer is not autonomous in managing this activity. TIM has eliminated all forms of discrimination between Italian banks and SEPA area banks with the complete automation of the web domiciliation process. Following the suspension of the terms set out in Legislative Decree 18 of March 17, 2020 in view of the current health emergency, the closure of the preliminary phase of the proceedings has been postponed until June 2020, so the closure of the proceedings will presumably be postponed until July 2020. Similar proceedings are also in progress against the other major operators.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure.

TIM will defend itself against OF's claims and challenge AGCM's decision on case A514 before the Regional Administrative Court, widely referenced in the opposing party's summons.

Iliad

By summons served during the first quarter of 2020, Iliad Italia S.p.A. sued TIM before the Court of Milan for alleged anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering its entry to and consolidation in the mobile phone market in Italy, seeking damages of at least 71.4 million euros.

TIM will defend itself in full against the claims.

B) OTHER INFORMATION

Of the disputes with the aforementioned characteristics, no significant facts have emerged for those listed below with respect to the information published in the 2019 annual financial report:

- Mobile telephony - criminal proceedings;
- Dispute concerning the license fees for 1998;
- Vodafone (previously TELETU).

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. 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 uses the following additional alternative performance indicators:

- **EBITDA adjusted After Lease (“EBITDA-AL”)**, calculated by adjusting the Organic EBITDA, net of the non-recurring items, of the amounts related to the accounting treatment of finance lease contracts 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), in addition to EBIT;
- **Adjusted net financial debt After Lease**, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of finance lease contracts 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), 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
+/-	Share of profits (losses) of associates and joint ventures accounted for using the equity method
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	

- **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); it is therefore also used in the presentations to analysts and investors. This press release provides a reconciliation between the “accounting or reported” figures and the “organic excluding the non-recurring component”.
- **EBITDA margin and EBIT margin:** TIM believes that these margins represent useful indicator of the ability of the Group (as a whole and at Business Unit level) 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 reporting period with those of the previous periods.

- **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 a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

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