

ATTACHMENTS TO PRESS RELEASE

TIM GROUP – FINANCIAL HIGHLIGHTS	2
TIM GROUP – RECLASSIFIED STATEMENTS	3
TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS	3
TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	4
TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	5
TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS	7
TIM GROUP - NET FINANCIAL DEBT	9
TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT	10
TIM GROUP - INFORMATION BY OPERATING SEGMENTS	101
DOMESTIC	11
BRAZIL	12
TIM GROUP - HEADCOUNT	13
TIM GROUP - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS	14
TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS	15
TIM S.p.A. - SEPARATE INCOME STATEMENTS	17
TIM S.p.A. - STATEMENTS OF COMPREHENSIVE INCOME	18
TIM S.p.A. - STATEMENTS OF FINANCIAL POSITION	19
TIM S.p.A. - STATEMENTS OF CASH FLOWS	21
TIM S.p.A. - NET FINANCIAL DEBT	23
TIM S.p.A. - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE INCOME STATEMENTS	24
ALTERNATIVE PERFORMANCE MEASURES	245

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

TIM GROUP – FINANCIAL HIGHLIGHTS

(millions of euros)	12/31/2020 (a)	12/31/2019 (b)	% Change organic excluding non-recurring (a-b)	
Revenues	15,805	17,974	(12.1)	(6.4)
EBITDA (1)	6,739	8,151	(17.3)	(5.9)
EBITDA Margin	42.6 %	45.3 %	(2.7)pp	
Organic EBITDA Margin excluding non-recurring	44.6 %	44.3 %		0.3pp
EBIT (1)	2,104	3,175	(33.7)	(16.6)
EBIT Margin	13.3 %	17.7 %	(4.4)pp	
Organic EBIT Margin excluding non-recurring	15.3 %	17.2 %		(1.9)pp
Profit (loss) for the year attributable to Owners of the Parent	7,224	916	-	
Capital Expenditures & spectrum	3,409	3,784	(9.9)	(2.8)
	12/31/2020 (a)	12/31/2019 (b)	Change Amount (a-b)	
Adjusted Net Financial Debt (1)	23,326	27,668	(4,342)	

(millions of euros)	4th Quarter 2020 (a)	4th Quarter 2019 (b)	% Change organic excluding non-recurring (a-b)	
Revenues	4,148	4,551	(8.9)	(2.1)
EBITDA (1)	1,621	1,652	(1.9)	(1.5)
EBITDA Margin	39.1 %	36.3 %	2.8pp	
Organic EBITDA Margin excluding non-recurring	42.5 %	42.2 %		0.3pp
EBIT (1)	477	463	3.0	(12.9)
EBIT Margin	11.5 %	10.2 %	1.3pp	
Organic EBIT Margin excluding non-recurring	14.9 %	16.8 %		(1.9)pp
Profit (loss) for the period attributable to owners of the Parent	6,046	64	—	

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

TIM GROUP – RECLASSIFIED STATEMENTS

The reclassified Separate Income Statements, Statements of Comprehensive Income, Statements of Financial Position and the Statements of Cash Flows, as well as the Net Financial Debt of the TIM Group and of the Parent TIM S.p.A., herewith presented, are the same as those included in the Report on Operations of the 2020 TIM Annual Financial Report. Such statements, as well as the Net Financial Debt, are in any case consistent with those included in the TIM Group Consolidated and Separate Financial Statements for the year ended December 31, 2020. The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements and for the TIM S.p.A. Separate Financial Statements at December 31, 2019 to which reference should be made, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2020.

To such extent, please note that the audit work by our independent auditors on the TIM Consolidated and Separate Financial Statements for the year ended December 31, 2020, as well as the check of consistency of the 2020 Report on Operations with the related TIM Consolidated and Separate Financial Statements have not yet been completed.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	2020	2019	Change (a-b)	
	(a)	(b)	amount	%
Revenues	15,805	17,974	(2,169)	(12.1)
Other income	211	933	(722)	(77.4)
Total operating revenues and other income	16,016	18,907	(2,891)	(15.3)
Acquisition of goods and services	(6,173)	(6,463)	290	4.5
Employee benefits expenses	(2,639)	(3,077)	438	14.2
Other operating expenses	(961)	(1,625)	664	40.9
Change in inventories	(6)	(128)	122	95.3
Internally generated assets	502	537	(35)	(6.5)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	6,739	8,151	(1,412)	(17.3)
Depreciation and amortization	(4,616)	(4,927)	311	6.3
Gains (losses) on disposals of non-current assets	(11)	(49)	38	77.6
Impairment reversals (losses) on non-current assets	(8)	—	(8)	—
Operating profit (loss) (EBIT)	2,104	3,175	(1,071)	(33.7)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	18	(3)	21	—
Other income (expenses) from investments	454	3	451	—
Finance income	1,143	946	197	20.8
Finance expenses	(2,322)	(2,382)	60	2.5
Profit (loss) before tax from continuing operations	1,397	1,739	(342)	(19.7)
Income tax expense	5,955	(513)	6,468	—
Profit (loss) from continuing operations	7,352	1,226	6,126	—
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	16	(16)	—
Profit (loss) for the period	7,352	1,242	6,110	—
Attributable to:				
Owners of the Parent	7,224	916	6,308	—
Non-controlling interests	128	326	(198)	(60.7)

TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(millions of euros)

	2020	2019
Profit (loss) for the year (a)	7,352	1,242
Other components of the Consolidated Statement of Comprehensive Income		
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement		
Financial assets measured at fair value through other comprehensive income:		
Profit (loss) from fair value adjustments	(4)	4
Income tax effect	—	—
(b)	(4)	4
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	6	(44)
Income tax effect	(1)	10
(c)	5	(34)
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)	1	(30)
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	5	(19)
Loss (profit) transferred to Separate Consolidated Income Statement	—	(5)
Income tax effect	—	8
(f)	5	(16)
Hedging instruments:		
Profit (loss) from fair value adjustments	(253)	367
Loss (profit) transferred to Separate Consolidated Income Statement	373	(227)
Income tax effect	(30)	(17)
(g)	90	123
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	(1,612)	(113)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	—	—
Income tax effect	—	—
(h)	(1,612)	(113)
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)	(1,517)	(6)
Total other components of the Consolidated Statement of Comprehensive Income (m=e+k)	(1,516)	(36)
Total comprehensive income (loss) for the year (a+m)	5,836	1,206
Attributable to:		
Owners of the Parent	6,199	916
Non-controlling interests	(363)	290

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	31.12.2020 (a)	31.12.2019 (b)	Variazioni (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	22,847	23,083	(236)
Intangible assets with a finite useful life	6,740	7,667	(927)
	29,587	30,750	(1,163)
Tangible assets			
Property, plant and equipment owned	13,141	14,011	(870)
Rights of use assets	4,992	5,494	(502)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	2,728	11	2,717
Other investments	54	52	2
Non-current financial receivable for lease contracts	43	51	(8)
Other non-current financial assets	2,267	2,100	167
Miscellaneous receivables and other non-current assets	2,114	2,585	(471)
Deferred tax assets	7,496	942	6,554
	14,702	5,741	8,961
Total Non-current assets (a)	62,422	55,996	6,426
Current assets			
Inventories	242	260	(18)
Trade and miscellaneous receivables and other current assets	4,346	4,857	(511)
Current income tax receivables	86	149	(63)
Current financial assets			
Current financial receivables arising from lease contracts	55	58	(3)
Securities other than investments, other financial receivables and other current financial assets	1,254	999	255
Cash and cash equivalents	4,829	3,138	1,691
	6,138	4,195	1,943
Current assets sub-total	10,812	9,461	1,351
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)	10,812	14,108	(3,296)
Total Assets (a+b)	73,234	70,104	3,130

The company has not found any evidence that the value of assets with an indefinite life is likely to be impaired.

(millions of euros)

	12/31/2020 (a)	12/31/2019 (b)	Variazioni (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	26,215	20,280	5,935
Non-controlling interests	2,625	2,346	279
Total Equity (c)	28,840	22,626	6,214
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	23,655	25,605	(1,950)
Non-current financial liabilities for lease contracts	4,199	4,576	(377)
Employee benefits	724	1,182	(458)
Deferred tax liabilities	277	248	29
Provisions	770	725	45
Miscellaneous payables and other non-current liabilities	3,602	3,214	388
Total Non-current liabilities (d)	33,227	35,550	(2,323)
Current liabilities			
Current financial liabilities for financing contracts and others	3,677	3,182	495
Current financial liabilities for lease contracts	631	639	(8)
Trade and miscellaneous payables and other current liabilities	6,588	7,218	(630)
Current income tax payables	271	84	187
Current liabilities sub-total	11,167	11,123	44
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	—	655	(655)
of a non-financial nature	—	150	(150)
	—	805	(805)
Total Current Liabilities (e)	11,167	11,928	(761)
Total Liabilities (f=d+e)	44,394	47,478	(3,084)
Total Equity and Liabilities (c+f)	73,234	70,104	3,130

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	2020	2019
Cash flows from operating activities:		
Profit (loss) from continuing operations	7,352	1,226
Adjustments for:		
Depreciation and amortization	4,616	4,927
Impairment losses (reversals) on non-current assets (including investments)	36	31
Net change in deferred tax assets and liabilities	(6,538)	271
Losses (gains) realized on disposals of non-current assets (including investments)	(441)	47
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(18)	3
Change in provisions for employee benefits	(628)	(246)
Change in inventories	20	129
Change in trade receivables and other net receivables	484	—
Change in trade payables	(231)	(181)
Net change in current income tax receivables/payables	708	114
Net change in miscellaneous receivables/payables and other assets/liabilities	1,191	(387)
Cash flows from (used in) operating activities	(a) 6,551	5,934
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(3,477)	(3,649)
Capital grants received	24	28
Acquisition of control of companies or other businesses, net of cash acquired	(7)	—
Acquisitions/disposals of other investments	(11)	(4)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(251)	231
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	(33)	125
Proceeds from sale/repayments of intangible, tangible and other non-current assets	678	14
Cash flows from (used in) investing activities	(b) (3,077)	(3,255)
Cash flows from financing activities:		
Change in current financial liabilities and other	(1,771)	(545)
Proceeds from non-current financial liabilities (including current portion)	1,470	4,527
Repayments of non-current financial liabilities (including current portion)	(2,790)	(4,412)
Changes in hedging and non-hedging derivatives	310	(415)
Share capital proceeds/reimbursements (including subsidiaries)	1,164	10
Dividends paid	(390)	(279)
Changes in ownership interests in consolidated subsidiaries	(2)	—
Cash flows from (used in) financing activities	(c) (2,009)	(1,114)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) —	16
Aggregate cash flows	(e=a+b+c+d) 1,465	1,581
Net cash and cash equivalents at beginning of the year:	(f) 3,202	1,631
Net foreign exchange differences on net cash and cash equivalents	(g) (159)	(10)
Net cash and cash equivalents at end of the year:	(h=e+f+g) 4,508	3,202

Investments and loans not requiring the use of cash and cash equivalents are excluded from the Consolidated Statements of Cash Flows. These, in fact, have no direct impact on current cash flows, even if they do impact the capital and financial structure of the TIM Group.

As for previous years, the TIM Group expresses these specific non-monetary items in the cash flow of operations, investments or loans of the Consolidated Statements of Cash Flows in order to facilitate the overall understanding of its Consolidated Financial Statements. In these cases, an equal amount is offset in the same section, so that the total amount of each section shows exclusively cash flows.

Purchases of intangible, tangible and rights of use assets

(millions of euros)	2020	2019
Purchase of intangible assets	(1,197)	(1,064)
Purchase of tangible assets	(2,138)	(2,644)
Purchase of rights of use assets	(1,362)	(1,216)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(4,697)	(4,924)
Change in payables arising from purchase of intangible, tangible and rights of use assets	1,220	1,275
Total purchases of intangible, tangible and rights of use assets on a cash basis	(3,477)	(3,649)

Additional Cash Flow information

(millions of euros)	2020	2019
Income taxes (paid) received	223	(118)
Interest expense paid	(1,520)	(1,750)
Interest income received	448	589
Dividends received	256	1

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2020	2019
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	3,138	1,917
Bank overdrafts repayable on demand - from continuing operations	(1)	(286)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	65	—
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	—	—
	3,202	1,631
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	4,829	3,138
Bank overdrafts repayable on demand - from continuing operations	(321)	(1)
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	—	—
	4,508	3,202

TIM GROUP - NET FINANCIAL DEBT

(millions of euros)	12/31/2020 (a)	12/31/2019 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	18,856	19,773	(917)
Amounts due to banks, other financial payables and liabilities	4,799	5,832	(1,033)
Non-current financial liabilities for lease contracts	4,199	4,576	(377)
	27,854	30,181	(2,327)
Current financial liabilities (*)			
Bonds	988	1,958	(970)
Amounts due to banks, other financial payables and liabilities	2,689	1,224	1,465
Current financial liabilities for lease contracts	631	639	(8)
	4,308	3,821	487
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	655	(655)
Total Gross financial debt	32,162	34,657	(2,495)
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivable for lease contracts	(43)	(51)	8
Financial receivables and other non-current financial assets	(2,267)	(2,100)	(167)
	(2,310)	(2,151)	(159)
Current financial assets			
Securities other than investments	(1,092)	(877)	(215)
Current financial receivables arising from lease contracts	(55)	(58)	3
Financial receivables and other current financial assets	(162)	(122)	(40)
Cash and cash equivalents	(4,829)	(3,138)	(1,691)
	(6,138)	(4,195)	(1,943)
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	(65)	65
Total financial assets	(8,448)	(6,411)	(2,037)
Net financial debt carrying amount	23,714	28,246	(4,532)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(388)	(578)	190
Adjusted Net Financial Debt	23,326	27,668	(4,342)
Breakdown as follows:			
Total adjusted gross financial debt	30,193	32,782	(2,589)
Total adjusted financial assets	(6,867)	(5,114)	(1,753)
(*) of which current portion of medium/long-term debt:			
Bonds	988	1,958	(970)
Amounts due to banks, other financial payables and liabilities	1,541	446	1,095
Current financial liabilities for lease contracts	628	639	(11)

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(millions of euros)	2020	2019	Change
	(a)	(b)	(a-b)
EBITDA	6,739	8,151	(1,412)
Capital expenditures on an accrual basis	(3,409)	(3,784)	375
Change in net operating working capital:	772	(549)	1,321
<i>Change in inventories</i>	20	129	(109)
<i>Change in trade receivables and other net receivables</i>	484	—	484
<i>Change in trade payables</i>	(193)	(28)	(165)
<i>Change in payables for mobile telephone licenses / spectrum</i>	(110)	(18)	(92)
<i>Other changes in operating receivables/payables</i>	571	(632)	1,203
<i>Change in provisions for employee benefits</i>	(628)	(246)	(382)
<i>Change in operating provisions and Other changes</i>	(170)	235	(405)
Net operating free cash flow	3,304	3,807	(503)
<i>Of which operating free cash flow connected to the purchase of mobile telephone licenses / spectrum</i>	<i>(110)</i>	<i>(18)</i>	<i>(92)</i>
<i>% of Revenues</i>	<i>20.9</i>	<i>21.2</i>	<i>(0.3)pp</i>
Sale of investments and other disposals flow	1,294	160	1,134
Share capital increases/reimbursements, including incidental expenses	1,164	10	1,154
Financial investments	(25)	(5)	(20)
Dividends payment	(390)	(279)	(111)
Increases in lease contracts	(1,288)	(1,140)	(148)
Finance expenses, income taxes and other net non-operating requirements flow	283	(1,414)	1,697
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	4,342	(2,414)	6,756
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	16	(16)
Reduction/(Increase) in adjusted net financial debt	4,342	(2,398)	6,740

Equity Free Cash Flow

(millions of euros)	2020	2019	Change
NET OPERATING FREE CASH FLOW	3,304	3,807	(503)
Mobile telephone licenses / spectrum	110	18	92
Financial management	(1,186)	(1,372)	186
Cash Taxes and Other	186	(122)	308
EQUITY FREE CASH FLOW	2,414	2,331	83

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

(millions of euros)	2020	2019	Change (a-b)		
	(a)	(b)	amount	%	% organic excluding non-recurring
Revenues	12,905	14,078	(1,173)	(8.3)	(7.7)
EBITDA	5,339	5,708	(369)	(6.5)	(7.9)
EBITDA margin	41.4	40.5		0.9 pp	(0.1)pp
EBIT	1,635	1,887	(252)	(13.4)	(19.2)
EBIT margin	12.7	13.4		(0.7)pp	(2.1)pp
Headcount at period-end (number) (*)	42,925	45,496	(2,571)	(5.7)	

(*) Includes employees with temp work contracts: 9 units at December 31, 2020 (5 units at December 31, 2019).

(millions of euros)	4th Quarter 2020	4th Quarter 2019	Change (n-h)		
	(a)	(b)	amount	%	% organic excluding non-recurring
Revenues	3,433	3,555	(122)	(3.4)	(3.0)
EBITDA	1,258	1,154	104	9.0	(2.5)
EBITDA Margin	36.6	32.5		4.1 pp	0.3pp
EBIT	323	193	130	67.4	(9.8)
EBIT Margin	9.4	5.4		4.0 pp	(1.0)pp

Fisso

	12/31/2020	12/31/2019	12/31/2018
Physical accesses of TIM Retail (thousands)	8,767	9,166	10,197
of which NGN ⁽¹⁾	4,407	3,670	3,214
Physical accesses of TIM Wholesale (thousands)	7,974	8,051	8,063
of which NGN	4,220	3,309	2,262
Active Broadband accesses of TIM Retail (thousands)	7,635	7,592	7,483
Consumer ARPU (€/month) ⁽²⁾	33.0	34.9	34.0
Broadband ARPU (€/month) ⁽³⁾	25.4	27.7	26.3

(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

	12/31/2020	12/31/2019	12/31/2019
Lines at period end (thousands)	30,170	30,895	31,818
of which Human	19,795	21,003	22,448
Churn rate (%) ⁽⁴⁾	18.6	20.4	26.3
Broadband users (thousands) ⁽⁵⁾	12,818	12,823	13,015
Reported ARPU (€/month) ⁽⁶⁾	8.0	8.7	9.8
Human ARPU (€/month) ⁽⁷⁾	12.1	12.6	13.4

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

(millions of euros)

	4th Quarter 2020	4th Quarter 2019	2020	2019	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non- recurring (a-b)	organic excluding non- recurring (c-d)
Revenues	3,433	3,555	12,905	14,078	(3.4)	(8.3)	(3.0)	(7.7)
Consumer	1,525	1,625	5,899	6,594	(6.2)	(10.5)	(6.2)	(10.4)
Business	1,104	1,195	4,084	4,624	(7.6)	(11.7)	(7.6)	(11.1)
Wholesale National Market	513	456	1,917	1,843	12.5	4.0	12.5	4.0
Wholesale International Market	262	250	966	947	4.8	2.0	6.5	2.4
Other	29	29	39	70	—	(44.3)	50.0	90.5

Brazil

	(millions of euros)		(millions of Brazilian reais)		Change		
	2020	2019	2020	2019	amount	%	% organic excluding non- recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	2,933	3,937	17,268	17,377	(109)	(0.6)	(0.6)
EBITDA	1,407	2,451	8,282	10,820	(2,538)	(23.5)	3.1
EBITDA margin	48.0	62.3	48.0	62.3		(14.3)pp	1.7pp
EBIT	476	1,297	2,801	5,726	(2,925)	(51.1)	(4.7)
EBIT margin	16.2	33.0	16.2	33.0		(16.8)pp	(0.7)pp
Headcount at year-end (number)			9,409	9,689	(280)	(2.9)	

	(millions of euros)		(millions of Brazilian reais)		Change		
	4th Quarter 2020	4th Quarter 2019	4th Quarter 2020	4th Quarter 2019	amount	%	% organic excluding non- recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	725	1,007	4,678	4,586	92	2.0	2.0
EBITDA	364	499	2,336	2,298	38	1.7	2.8
EBITDA margin	49.9	50.1	49.9	50.1		(0.2)pp	0.4pp
EBIT	156	272	974	1,250	(276)	(22.1)	(19.9)
EBIT margin	20.8	27.3	20.8	27.3		(6.5)pp	(5.9)pp

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	2020	2019	Change
Average salaried workforce – Italy	40,140	42,630	(2,490)
Average salaried workforce – Outside Italy	8,959	9,287	(328)
Total average salaried workforce (1)	49,099	51,917	(2,818)

(1) Includes employees with temp work contracts: 9 average employees in Italy in the 2020, 5 average employees in Italy the year 2019.

Headcount at year end

(number)	12/31/2020	12/31/2019	Change
Headcount – Italy	42,680	45,266	(2,586)
Headcount – Outside Italy	9,667	9,932	(265)
Total headcount at year end (1)	52,347	55,198	(2,851)

(1) Includes employees with temp work contracts: 9 employees in Italy in 2020; 5 employees in Italy in 2019.

Headcount at year end – Breakdown by Business Unit

(number)	12/31/2020	12/31/2019	Change
Domestic	42,925	45,496	(2,571)
Brasil	9,409	9,689	(280)
Other Operations	13	13	—
Total	52,347	55,198	(2,851)

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

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

(millions of euros)	2020	2019
Revenues:		
Revenues adjustments	(39)	(15)
Other operating income:		
Brazil Business Unit tax recovery and Domestic Business Unit operating expenses recovery effect	—	706
Absorption of other operational provisions	1	—
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(64)	(21)
Employee benefits expenses:		
Expenses related to corporate restructuring/rationalization and other	(74)	(282)
Other operating expenses:		
Sundry expenses and other provisions	(148)	(459)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(324)	(71)
Gains (losses) on disposals of non-current assets:		
Disposal Persidera S.p.A. (BU Domestic)	—	(18)
Impact on EBIT - Operating profit (loss)	(324)	(89)
Other income (expenses) from investments:		
Net gain INWIT transactions	452	—
Net gains from the disposal of investments in associates and joint ventures accounted for the equity method	—	1
Finance expenses:		
Miscellaneous finance expenses	(7)	(34)
Impact on profit (loss) before tax from continuing operations	121	(122)
Tax realignment in accordance with Decree Law 104/2020, Art. 110	5,877	—
Income taxes on non-recurring items	50	(40)
Profit/(Losses) related to Discontinued operations	—	16
Impact on profit (loss) for the year	6,048	(146)

The COVID-19 emergency, following the spread of the SARS-CoV-2 virus and pronounced a pandemic by the World Health Organization (WHO) on March 11, 2020, resulted in the TIM Group incurring non-recurring expenses, gross of tax effects, for a total of 108 million euros. Adjustments booked of non-recurring revenues in 2020 (38 million euros) were connected with the commercial initiatives of TIM S.p.A. to support customers in dealing with the COVID-19 emergencies. In addition to the impacts of TIM S.p.A.'s commercial initiatives to support customers, operating costs have been incurred mainly in relation to provisions and expenses connected with the management of credits deriving from the worsening of the macroeconomic context (46 million euros), payroll costs (7 million euros), as well as miscellaneous costs and procurement for approximately 17 million euros, as have become necessary to handle the health emergency, primarily for the purchase of Personal Protective Equipment, thermoscanners and environmental hygiene services.

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

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

(billions of euros)	31.12.2020		31.12.2019	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – maturing January 2023	5.0	—	5.0	-
Bridge to Bond Facility – maturing May 2021	1.7	—	—	-
Total	6.7	—	5.0	-

At December 31, 2020, TIM had bilateral Term Loans for 1,500 million euros with various banking counterparties and overdraft facilities for 490 million euros, drawn down for the full amount.

On May 18, 2020 TIM created a new credit line, structured as a bridge to bond, for later issuing on the bond market, for 1.7 billion euros and initially maturing after 12 months, with the option of extension for another 12 months.

On January 18, 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

On January 19, 2021, TIM decided to totally cancel the unused 1.7 billion euro Bridge to Bond line.

Bonds

Changes in bonds over 2020 are shown below:

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 719 million euro 4.000% (1)	Euro	719	1/21/2020
TIM S.A. 1,000 million BRL 104.10% CDI	BRL	1,000	7/15/2020
Telecom Italia S.p.A. 547 million euro 4.875% (2)	Euro	547	9/25/2020

1. Net of buy-backs totaling 281 million euros made by the company in 2015.
2. Net of buy-backs totaling 453 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 December 31, 2020 was 217 million euros, up by 12 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 December 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 3,665 million euros with the following detail:

- 564 million euros, maturing 1/25/2021;
- 217 million euros, maturing 1 January 2022;
- 884 million euros, maturing 2/10/2022;
- 2,000 million euros, maturing 3/26/2022.

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 Group¹; 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.

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), at December 31, 2020 the nominal total of outstanding loans was 850 million euros, none of it backed by a bank guarantee.

The two EIB loans signed on December 14, 2015 and November 25, 2019 contain the following covenants:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% (thirty-five percent) of the Group's total financial debt;
- "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 can be found in the export credit loan agreement.

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 generic commitment by TIM, the breach of which is an Event of Default, not to implement mergers, demergers or transfers of company branches 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.

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

The documentation of the loans granted to certain companies of the Tim Brasil group contain general obligations to comply with certain financial ratios (e.g. capitalization ratios, debt servicing ratios and debt ratios), as well as the usual other covenants, under penalty of a request for the early repayment of the loan.

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

TIM S.p.A. - SEPARATE INCOME STATEMENTS

(millions of euros)	2020 (a)	2019 (b)	Change (a-b) amount	%
Revenues	12,030	13,137	(1,107)	(8.4)
Other income	189	198	(9)	(4.5)
Total operating revenues and other income	12,219	13,335	(1,116)	(8.4)
Acquisition of goods and services	(4,611)	(4,596)	(15)	(0.3)
Employee benefits expenses	(2,193)	(2,492)	299	12.0
Other operating expenses	(605)	(1,061)	456	43.0
Change in inventories	(11)	(107)	96	89.7
Internally generated assets	381	403	(22)	(5.5)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,180	5,482	(302)	(5.5)
Depreciation and amortization	(3,582)	(3,719)	137	3.7
Gains (losses) on disposals of non-current assets	(14)	(41)	27	65.9
Impairment reversals (losses) on non-current assets	(8)	—	(8)	-
Operating profit (loss) (EBIT)	1,576	1,722	(146)	(8.5)
Income (expenses) from investments	551	117	434	—
Finance income	1,012	1,195	(183)	(15.3)
Finance expenses	(1,973)	(2,462)	489	19.9
Profit (loss) before tax	1,166	572	594	—
Income tax expense	5,995	(190)	6,185	—
Profit (loss) for the year	7,161	382	6,779	—

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

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

(millions of euros)	2020	2019
Profit (loss) for the year (a)	7,161	382
Other components of the Statement of Comprehensive Income:		
Other components that will not be reclassified subsequently to Separate Income Statement		
Financial assets measured at fair value through other comprehensive income:		
Profit (loss) from fair value adjustments	(4)	3
Income tax effect	—	—
(b)	(4)	3
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	6	(40)
Income tax effect	(2)	10
(c)	4	(30)
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 Income Statement (e=b+c+d)	—	(27)
Other components that will be reclassified subsequently to Separate Income Statement		
Available-for-sale financial assets:		
Profit (loss) from fair value adjustments	4	(36)
Loss (profit) transferred to the Separate Income Statement	—	25
Income tax effect	(1)	1
(f)	3	(10)
Hedging instruments:		
Profit (loss) from fair value adjustments	(409)	(202)
Loss (profit) transferred to the Separate Income Statement	312	8
Income tax effect	23	47
(g)	(74)	(147)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:		
Profit (loss)	—	—
Loss (profit) transferred to the Separate Income Statement	—	—
Income tax effect	—	—
(h)	—	—
Total other components that will be reclassified subsequently to Separate Income Statement (i= f+g+h)	(71)	(157)
Total other components of the Statement of Comprehensive Income (k= e+i)	(71)	(184)
Total comprehensive income (loss) for the year (a+k)	7,090	198

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

(millions of euros)	12/31/2020 (a)	12/31/2019 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	23,051	24,341	(1,290)
Intangible assets with a finite useful life	5,500	5,818	(318)
	28,551	30,159	(1,608)
Tangible assets			
Property, plant and equipment owned	10,335	10,591	(256)
Right of use assets	4,096	4,906	(810)
Other non-current assets			
Investments	7,245	6,861	384
Non-current financial receivables for lease contract	17	16	1
Other non-current financial assets	2,490	2,333	157
Miscellaneous receivables and other non-current assets	1,733	1,746	(13)
Deferred tax assets	7,337	882	6,455
	18,822	11,838	6,984
Total Non-current assets (a)	61,804	57,494	4,310
Current assets			
Inventories	144	155	(11)
Trade and miscellaneous receivables and other current assets	3,464	3,731	(267)
Current income tax receivables	39	67	(28)
Current financial assets			
<i>Current financial receivables arising from lease contracts</i>	44	54	(10)
<i>Securities other than investments, other financial receivables and other current financial assets</i>	110	122	(12)
<i>Cash and cash equivalents</i>	1,766	829	937
	1,920	1,005	915
Current assets sub-total	5,567	4,958	609
Discontinued operations/Non-current assets held for sale	—	828	(828)
Total Current assets (b)	5,567	5,786	(219)
Total Assets (a+b)	67,371	63,280	4,091

(milions of euros)	12/31/2020 (a)	12/31/2019 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Share capital issued	11,677	11,677	—
Less: treasury shares	(19)	(21)	2
Share capital	11,658	11,656	2
Additional paid-in capital	2,133	2,094	39
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	11,217	4,424	6,793
Total Equity (c)	25,008	18,174	6,834
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	24,440	26,182	(1,742)
Non-current financial liabilities for lease contracts	3,506	4,002	(496)
Employee benefits	676	1,106	(430)
Deferred tax liabilities	—	2	(2)
Provisions	618	528	90
Miscellaneous payables and other non-current liabilities	3,477	2,973	504
Total Non-current liabilities (d)	32,717	34,793	(2,076)
Current liabilities			
Current financial liabilities for financing contracts and others	3,342	3,787	(445)
Current financial liabilities for lease contracts	463	666	(203)
Trade and miscellaneous payables and other current liabilities	5,610	5,843	(233)
Current income tax payables	231	17	214
Current liabilities sub-total	9,646	10,313	(667)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Current Liabilities (e)	9,646	10,313	(667)
Total Liabilities (f=d+e)	42,363	45,106	(2,743)
Total Equity and Liabilities (c+f)	67,371	63,280	4,091

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

(millions of euros)	2020	2019
Cash flows from operating activities:		
Profit (loss) for the year	7,161	382
Adjustments for:		
Depreciation and amortization	3,582	3,719
Impairment losses (reversals) on non-current assets (including investments)	43	57
Net change in deferred tax assets and liabilities	(6,433)	55
Losses (gains) realized on disposals of non-current assets (including investments)	(212)	32
Change in provisions for employee benefits	(611)	(260)
Change in inventories	12	107
Change in trade receivables and net amounts due from customers on construction contracts	217	107
Change in trade payables	(23)	(121)
Net change in current income tax receivables/payables	694	100
Net change in miscellaneous receivables/payables and other assets/liabilities	56	217
Cash flows from (used in) operating activities	(a) 4,486	4,395
Cash flows from investing activities:		
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(2,285)	(2,307)
Capital grants received	24	28
Acquisition of control of companies or other businesses, net of cash acquired	51	14
Acquisitions/disposals of other investments	(101)	(43)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(62)	241
Proceeds from sale of investments in subsidiaries	—	142
Proceeds from sale/repayments of intangible, tangible and other non-current assets	1,822	12
Cash flows from (used in) investing activities	(b) (551)	(1,913)
Cash flows from financing activities:		
Change in current financial liabilities and other	(732)	(886)
Proceeds from non-current financial liabilities (including current portion)	1,022	3,814
Repayments of non-current financial liabilities (including current portion)	(2,809)	(4,796)
Changes in hedging and non-hedging derivatives	93	(187)
Share capital proceeds/reimbursements	8	—
Dividends paid	(317)	(166)
Cash flows from (used in) financing activities	(c) (2,735)	(2,221)
Aggregate cash flows	(d=a+b+c) 1,200	261
Net cash and cash equivalents at beginning of the year	(e) 45	(216)
Net cash and cash equivalents at end of the year	(f=d+e) 1,245	45

Investments and loans not requiring the use of cash and cash equivalents are excluded from the Statements of Cash Flows of TIM S.p.A. These, in fact, have no direct impact on current cash flows, even if they do impact the capital and financial structure of the Company.

As for previous years, TIM expresses these specific non-monetary items in the cash flow of operations, investments or loans of the Statements of Cash Flows in order to facilitate the overall understanding of its Separate Financial Statements. In these cases, an equal amount is offset in the same section, so that the total amount of each section shows exclusively cash flows.

Purchases of intangible, tangible and rights of use assets

(millions of euros)	2020	2019
Purchase of intangible assets	(959)	(819)
Purchase of tangible assets	(1,468)	(1,658)
Purchase of right of use assets	(947)	(921)
Total purchase of intangible, tangible and right of use assets on an accrual basis	(3,374)	(3,398)
Change in payables arising from purchase of intangible, tangible and right of use assets	1,089	1,091
Total purchases of intangible, tangible and rights of use assets on a cash basis	(2,285)	(2,307)

Additional Cash Flow information

(millions of euros)	2020	2019
Income taxes (paid) received	249	(28)
Interest expense paid	(1,389)	(1,689)
Interest income received	465	655
Dividends received	331	140

Analysis of Net Cash and Cash Equivalents

(millions of euros)	2020	2019
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents	829	885
Bank overdrafts repayable on demand	(784)	(1,101)
	45	(216)
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents	1,765	829
Bank overdrafts repayable on demand	(520)	(784)
	1,245	45

TIM S.p.A. - NET FINANCIAL DEBT

(millions of euros)	12/31/2020 (a)	12/31/2019 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	14,506	15,118	(612)
Amounts due to banks, other financial payables and liabilities	9,934	11,064	(1,130)
Financial lease liabilities	3,506	4,002	(496)
	27,946	30,184	(2,238)
Current financial liabilities (1)			
Bonds	864	1,603	(739)
Amounts due to banks, other financial payables and liabilities	2,478	2,184	294
Financial lease liabilities	463	666	(203)
	3,805	4,453	(648)
Total Gross financial debt	31,751	34,637	(2,886)
Non-current financial assets			
Non-current financial receivable for lease contracts	(17)	(16)	(1)
Financial receivables and other non-current financial assets	(2,490)	(2,333)	(157)
	(2,507)	(2,349)	(158)
Current financial assets			
Securities other than investments	—	—	—
Current financial receivables arising from lease contracts	(44)	(54)	10
Financial receivables and other current financial assets	(110)	(122)	12
Cash and cash equivalents	(1,766)	(829)	(937)
	(1,920)	(1,005)	(915)
Total financial assets	(4,427)	(3,354)	(1,073)
Net financial debt carrying amount	27,324	31,283	(3,959)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(1,541)	(1,543)	2
Adjusted Net Financial Debt	25,783	29,740	(3,957)
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	28,825	31,992	(3,167)
Total adjusted financial assets	(3,042)	(2,252)	(790)
<i>(1) of which current portion of medium/long -term debt:</i>			
Bonds	864	1,603	(739)
Amounts due to banks, other financial payables and liabilities	1,356	905	451
Financial lease liabilities	456	666	(210)

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

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

(millions of euros)	2020	2019
Operating revenues and other income	(39)	6
Revenue adjustments of previous years	(39)	(15)
Other income	—	21
Acquisition of goods and services, Change in inventories:	(58)	(14)
Professional expenses, consulting services and other costs	(58)	(14)
Employee benefits expenses	(69)	(248)
Expenses related to corporate reorganization/ restructuring processes	(69)	(248)
Other operating expenses	(145)	(412)
Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers	(5)	(396)
Sundry expenses	(140)	(16)
Impact on operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(311)	(668)
Impairment reversals (losses) on non-current assets	—	—
Goodwill impairment charges	—	—
Impairment losses on intangible assets	—	—
Impact on EBIT - Operating profit (loss)	(311)	(668)
Other income (expenses) from investments	227	5
Other finance income (expenses)	(7)	(10)
Impact on profit (loss) before tax	(91)	(673)
Tax realignment in accordance with Decree Law 104/2020, Art. 110	5,877	—
Income taxes on non-recurring items	45	158
Impact on profit (loss) for the year	5,831	(515)

The COVID-19 emergency, following the spread of the SARS-CoV-2 virus and pronounced a pandemic by the World Health Organization (WHO) on March 11, 2020, resulted in TIM S.p.A. incurring non-recurring expenses, gross of tax effects, for a total of 106 million euros. The adjustments of non-recurring revenues recorded in 2020 (38 million euros) are connected to the commercial initiatives of TIM S.p.A. to support customers to deal with the COVID-19 emergencies. In addition to the impacts of TIM S.p.A.'s commercial initiatives to support customers, operating costs have been incurred mainly in relation to provisions and expenses connected with the management of credits deriving from the worsening of the macroeconomic context (46 million euros), payroll costs (7 million euros), as well as miscellaneous costs and procurement for approximately 15 million euros, as have become necessary to handle the health emergency, primarily for the purchase of Personal Protective Equipment, thermoscanners and environmental hygiene services.

ALTERNATIVE PERFORMANCE MEASURES

In this press release, in the TIM Group Consolidated Financial Statements and in the Separate Financial Statements of the Parent, TIM S.p.A., for the year ended December 31, 2020, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for a better understanding of the TIM Group performance of operations and financial position. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

In particular, following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance indicators:

- **EBITDA adjusted After Lease (“EBITDA-AL”)**, calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16. This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent, TIM S.p.A., in addition to EBIT;
- **Adjusted net financial debt After Lease**, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;
- **Equity Free Cash Flow After Lease**, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+	Equity Free Cash Flow
-	Principal share of lease charges

This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors) and is a useful indicator of the ability to generate Free Cash Flow.

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 the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent, TIM S.p.A., in addition to **EBIT**. These measures are calculated as follows:

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

(1) “Expenses (income) from investments” for TIM S.p.A..

(2) Line item in Group consolidated financial statements only.

- **Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT**: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance (as a whole and with reference to the Business Units) and of the Parent; it is therefore also used in the presentations to analysts and investors. This press release provides a reconciliation between the “reported figure” and the “organic excluding the non-recurring component” figure.

- **EBITDA margin and EBIT margin:** TIM believes that these margins represent useful indicators of the ability of the Group, as a whole and at Business Unit level, and of the Parent to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the financial year being reported with those of the previous years.
- **Net financial debt:** TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt Less Cash and Cash Equivalents and other Financial Assets. This press release includes two tables showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group and Parent. To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed “Net financial debt carrying amount”), the TIM Group reports a measure called “Adjusted net financial debt”, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Net financial debt is calculated as follows:

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

- **Equity Free Cash Flow (EFCF):** this financial measure is used by TIM as the financial target in internal presentations (business plans) and external presentations (to analysts and investors), shows cash generation and is intended as the net cash flow before payments relating to dividend and investments in frequencies. Therefore, it represents the Free Cash Flow available for dividend payments, debt repayment, impacts of leasing transactions and investment in frequencies. This measure excludes the financial impact of any acquisition and/or disposal of equity investments.

The Equity Free Cash Flow measure is calculated as follows:

+	Operating Net Free Cash Flow
-	Impact for leasing
-	Payment of licenses
-	Financial impact of acquisitions and/or disposals of shareholdings
-	Dividend payment and Change in Equity