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March 15, 2023

*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 – 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 2022 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, 2022.

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, 2021 to which reference should be made, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2022.

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, 2022, as well as the check of consistency of the 2022 Report on Operations with the related TIM Consolidated and Separate Financial Statements have not yet been completed.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(million euros)

	2022	2021	Changes (a-b)	
	(a)	(b)	absolute	%
Revenues	15,788	15,316	472	3.1
Other income	213	272	(59)	(21.7)
Total operating revenues and other income	16,001	15,588	413	2.6
Acquisition of goods and services	(7,239)	(6,550)	(689)	(10.5)
Employee benefits expenses	(3,180)	(2,941)	(239)	(8.1)
Other operating expenses	(816)	(1,502)	686	45.7
Change in inventories	22	10	12	—
Internally generated assets	559	475	84	17.7
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,347	5,080	267	5.3
Depreciation and amortization	(4,777)	(4,490)	(287)	(6.4)
Gains (losses) on disposals of non-current assets	36	1	35	—
Impairment reversals (losses) on non-current assets	—	(4,120)	4,120	—
Operating profit (loss) (EBIT)	606	(3,529)	4,135	—
Share of profits (losses) of associates and joint ventures accounted for using the equity method	23	38	(15)	(39.5)
Other income (expenses) from investments	206	126	80	63.5
Finance income	1,115	1,124	(9)	(0.8)
Finance expenses	(2,538)	(2,274)	(264)	(11.6)
Profit (loss) before tax from continuing operations	(588)	(4,515)	3,927	87.0
Income tax expense	(2,066)	(3,885)	1,819	46.8
Profit (loss) from continuing operations	(2,654)	(8,400)	5,746	68.4
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	(2,654)	(8,400)	5,746	68.4
Attributable to:				
Owners of the Parent	(2,925)	(8,652)	5,727	66.2
Non-controlling interests	271	252	19	7.5

TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(million euros)	2022	2021
Profit (loss) for the year (a)	(2,654)	(8,400)
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	(2)	7
Income tax effect	—	—
(b)	(2)	7
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	77	(8)
Income tax effect	(17)	(3)
(c)	60	(11)
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)	58	(4)
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	(130)	28
Loss (profit) transferred to Separate Consolidated Income Statement	21	(6)
Income tax effect	4	—
(f)	(105)	22
Hedging instruments:		
Profit (loss) from fair value adjustments	488	658
Loss (profit) transferred to Separate Consolidated Income Statement	(235)	(365)
Income tax effect	(61)	(71)
(g)	192	222
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	597	50
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	—	—
Income tax effect	—	—
(h)	597	50
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)	684	294
Total other components of the Consolidated Statement of Comprehensive Income (m=e+k)	742	290
Total comprehensive income (loss) for the year (a+m)	(1,912)	(8,110)
Attributable to:		
Owners of the Parent	(2,365)	(8,374)
Non-controlling interests	453	264

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	19,111	18,568	543
Intangible assets with a finite useful life	7,656	7,147	509
	26,767	25,715	1,052
Tangible assets			
Property, plant and equipment owned	14,100	13,311	789
Rights of use assets	5,488	4,847	641
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	539	2,979	(2,440)
Other investments	116	156	(40)
Non-current financial receivables arising from lease contracts	49	45	4
Other non-current financial assets	1,602	2,285	(683)
Miscellaneous receivables and other non-current assets	2,365	2,266	99
Deferred tax assets	769	3,513	(2,744)
	5,440	11,244	(5,804)
Total Non-current assets (a)	51,795	55,117	(3,322)
Current assets			
Inventories	322	282	40
Trade and miscellaneous receivables and other current assets	4,539	4,358	181
Current income tax receivables	147	79	68
Current financial assets			
<i>Current financial receivables arising from lease contracts</i>	69	56	13
<i>Securities other than investments, other financial receivables and other current financial assets</i>	1,600	2,391	(791)
<i>Cash and cash equivalents</i>	3,555	6,904	(3,349)
	5,224	9,351	(4,127)
Current assets sub-total	10,232	14,070	(3,838)
Discontinued operations /Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	—	—	—
	—	—	—
Total Current assets (b)	10,232	14,070	(3,838)
Total Assets (b+a)	62,027	69,187	(7,160)

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	15,061	17,414	(2,353)
Non-controlling interests	3,664	4,625	(961)
Total Equity (c)	18,725	22,039	(3,314)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	21,739	23,437	(1,698)
Non-current financial liabilities for lease contracts	4,597	4,064	533
Employee benefits	684	699	(15)
Deferred tax liabilities	84	245	(161)
Provisions	910	926	(16)
Miscellaneous payables and other non-current liabilities	1,146	1,413	(267)
Total Non-current liabilities (d)	29,160	30,784	(1,624)
Current liabilities			
Current financial liabilities for financing contracts and others	5,039	5,945	(906)
Current financial liabilities for lease contracts	870	651	219
Trade and miscellaneous payables and other current liabilities	8,199	9,473	(1,274)
Current income tax payables	34	295	(261)
Current liabilities sub-total	14,142	16,364	(2,222)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	—	—	—
	—	—	—
Total Current Liabilities (e)	14,142	16,364	(2,222)
Total Liabilities (f=d+e)	43,302	47,148	(3,846)
Total Equity and Liabilities (c+f)	62,027	69,187	(7,160)

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	2022	2021
Cash flows from operating activities:		
Profit (loss) from continuing operations	(2,654)	(8,400)
Adjustments for:		
Depreciation and amortization	4,777	4,490
Impairment losses (reversals) on non-current assets (including investments)	9	4,118
Net change in deferred tax assets and liabilities	2,645	3,894
Losses (gains) realized on disposals of non-current assets (including investments)	(242)	(120)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(23)	(38)
Change in employee benefits	156	(83)
Change in inventories	(35)	(39)
Change in trade receivables and other net receivables	(81)	257
Change in trade payables	484	337
Net change in income tax receivables/payables	(478)	(313)
Net change in miscellaneous receivables/payables and other assets/liabilities	337	233
Cash flows from (used in) operating activities	(a) 4,895	4,336
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(6,305)	(4,013)
Capital grants received	3	3
Acquisition of control of companies or other businesses, net of cash acquired	(1,316)	—
Acquisitions/disposals of other investments	(26)	(100)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	969	(1,183)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	1,278	172
Proceeds from sale/repayments of intangible, tangible and other non-current assets	62	4
Cash flows from (used in) investing activities	(b) (5,335)	(5,117)
Cash flows from financing activities:		
Change in current financial liabilities and other	(436)	704
Proceeds from non-current financial liabilities (including current portion)	2,288	4,082
Repayments of non-current financial liabilities (including current portion)	(4,615)	(3,072)
Change in hedging and non-hedging derivatives	(36)	103
Share capital proceeds/reimbursements (including subsidiaries)	2	(42)
Dividends paid	(68)	(368)
Changes in ownership interests in consolidated subsidiaries	(4)	1,757
Cash flows from (used in) financing activities	(c) (2,869)	3,164
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) —	—
Aggregate cash flows	(e=a+b+c+d) (3,309)	2,383
Net cash and cash equivalents at beginning of the year	(f) 6,904	4,508
Net foreign exchange differences on net cash and cash equivalents	(g) (40)	13
Net cash and cash equivalents at end of the year	(h=e+f+g) 3,555	6,904

Purchases of intangible, tangible and rights of use assets

(million euros)	2022	2021
Purchase of intangible assets	(1,128)	(1,886)
Purchase of tangible assets	(2,828)	(2,665)
Purchase of rights of use assets	(953)	(746)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(4,909)	(5,297)
Change in payables arising from purchase of intangible, tangible and rights of use assets	(1,396)	1,284
Total purchases of intangible, tangible and rights of use assets on a cash basis	(6,305)	(4,013)

Additional Cash Flow information

(million euros)	2022	2021
Income taxes (paid) received	164	(242)
Interest expense paid	(1,668)	(1,440)
Interest income received	562	437
Dividends received	155	90

Analysis of Net Cash and Cash Equivalents

(million euros)	2022	2021
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	6,904	4,829
Bank overdrafts repayable on demand - from continuing operations	—	(321)
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	—	—
	6,904	4,508
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	3,555	6,904
Bank overdrafts repayable on demand - from continuing operations	—	—
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	—	—
	3,555	6,904

TIM GROUP - NET FINANCIAL DEBT

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	15,259	17,383	(2,124)
Amounts due to banks, other financial payables and liabilities	6,480	6,054	426
Non-current financial liabilities for lease contracts	4,597	4,064	533
	26,336	27,501	(1,165)
Current financial liabilities (*)			
Bonds	2,799	3,512	(713)
Amounts due to banks, other financial payables and liabilities	2,240	2,433	(193)
Current financial liabilities for lease contracts	870	651	219
	5,909	6,596	(687)
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	32,245	34,097	(1,852)
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(49)	(45)	(4)
Financial receivables and other non-current financial assets	(1,602)	(2,285)	683
	(1,651)	(2,330)	679
Current financial assets			
Securities other than investments	(1,446)	(2,249)	803
Current financial receivables arising from lease contracts	(69)	(56)	(13)
Financial receivables and other current financial assets	(154)	(142)	(12)
Cash and cash equivalents	(3,555)	(6,904)	3,349
	(5,224)	(9,351)	4,127
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(6,875)	(11,681)	4,806
Net financial debt carrying amount	25,370	22,416	2,954
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(6)	(229)	223
Adjusted Net Financial Debt	25,364	22,187	3,177
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	31,682	32,564	(882)
Total adjusted financial assets	(6,318)	(10,377)	4,059
<i>(*) of which current portion of medium/long-term debt:</i>			
Bonds	2,799	3,512	(713)
Amounts due to banks, other financial payables and liabilities	1,139	898	241
Current financial liabilities for lease contracts	856	648	208

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(million euros)	2022 (a)	2021 (b)	Change (a-b)
EBITDA	5,347	5,080	267
Capital expenditures on an accrual basis	(4,077)	(4,630)	553
Change in net operating working capital:	(1,736)	733	(2,469)
<i>Change in inventories</i>	(35)	(39)	4
<i>Change in trade receivables and other net receivables</i>	(81)	257	(338)
<i>Change in trade payables</i>	398	584	(186)
<i>Change in payables for mobile telephone licenses / spectrum</i>	(2,144)	369	(2,513)
<i>Other changes in operating receivables/payables</i>	126	(438)	564
Change in employee benefits	156	(83)	239
Change in operating provisions and Other changes	(315)	344	(659)
Net operating free cash flow	(625)	1,444	(2,069)
<i>% of Revenues</i>	<i>(4.0)</i>	<i>9.4</i>	<i>(13.4)pp</i>
Sale of investments and other disposals flow	1,341	1,935	(594)
Share capital increases/reimbursements, including incidental expenses	2	(42)	44
Financial investments	(1,905)	(102)	(1,803)
Dividends payment	(68)	(368)	300
Increases in lease contracts	(832)	(667)	(165)
Finance expenses, income taxes and other net non-operating requirements flow	(1,090)	(1,061)	(29)
Reduction/(Increase) in adjusted net financial debt from continuing operations	(3,177)	1,139	(4,316)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	(3,177)	1,139	(4,316)

Equity Free Cash Flow

(million euros)	2022	2021	Change
Reduction/(Increase) in adjusted net financial debt from continuing operations	(3,177)	1,139	(4,316)
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	827	452	375
Payment of TLC licenses and for the use of frequencies	2,242	435	1,807
Financial impact of acquisitions and/or disposals of investments	666	(1,804)	2,470
Dividend payment and Change in Equity	66	410	(344)
Equity Free Cash Flow	624	632	(8)

TIM GROUP - COMPLEX CONTRACTS

As part of a process aiming to ensure the identification and definition of the initiatives for the evolution of the internal control system for the management of corporate risks, in 2022, the TIM Group instituted a Technical Committee to supervise complex contracts (the "Technical Committee").

The Technical Committee defined:

- the objective criteria on which basis to classify a contract as a "complex contract";
- the procedure for the assessment and authorization of complex contracts, which envisages the involvement of multiple subjects and competences able to assess the different risk profiles (board decision-making process);
- the update of the policy regulating the process for formalizing contracts in the Group contracts, envisaging a clear identification and formalization of the reasoning behind the decision-making process to assign complex contracts as well as the related escalation mechanisms, thus strengthening the process for identifying and reconstructing sources, information elements and controls performed.



During 2021, as detailed in the related Annual Financial Report, some contracts for the supply of multimedia contents in connection with the current partnerships, including that between TIM and DAZN, have highlighted a comprehensive negative margin throughout the entire contract duration, with the need to make a provision for a total of 548 million euros for posting a contractual risk provision for onerous contracts at December 31, 2021.

Starting from the 2022 financial year, use of the aforementioned Provision over the contractual term makes it possible to offset the negative item of the margin (EBITDA) - referring to both the operating performance of the business and commitments in terms of prices that TIM is contractually obliged to pay to counterparties - thereby obtaining a null operating margin (organic) for the content business.

In August 2022, TIM and DAZN reached a new agreement that - in amending the clauses previously in place - allows DAZN to distribute football rights to show the TIM Serie A championship matches through any third party, surpassing the previous system of TIM exclusivity. TIM has informed the Italian Competition Authority that the new agreement has been reached. The new contractual structure has no impact on TIM customers, who continue to enjoy matches through TimVision, the most advantageous streaming platform with the best selection of content available on the market. At the same time, the objective is achieved of distributing rights over multiple platforms with a view to developing a more sustainable economic model that would also be less volatile.

During 2022, TIM S.p.A. also recorded a provision of 41 million euros for onerous contracts relating to a multi-year agreement stipulated in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022.

The Provision for contractual risks for onerous contracts at December 31, 2022 came to 247 million euros.

Below are:

- the amount used in 2022 of the Provision for risks to cover the negative margin;
- the amount of the total organic margins (organic EBITDA) without using the risk provision for onerous contracts.

(million euros)

	2022	
	TIM Group	Domestic Business Unit
ORGANIC EBITDA (including use of the risk provision for onerous contracts)	6,029	4,174
- Use of the risk provision for onerous contracts to cover the negative margin	(346)	(346)
ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)	5,683	3,828

The amount of 346 million euros is the negative margin, for which the provision was used. As far as the portion relating to the football contract with DAZN is concerned, this amount includes both the operating performance of the business and the component linked to the prices that TIM is contractually obliged to pay to DAZN, which is recorded at the end of each football season (June 30, each year), at the same time as use of the related provision set aside.

From a financial viewpoint, the negative margin covered by the Risks Provision has an equal impact on the Net Financial Position and cash flows. For the DAZN contract, TIM is contractually obliged to pay advance installments for each year (July 1-June 30, corresponding to each championship season).

With reference to the multi-year contracts for multimedia contents, which in some cases require TIM to pay the counterparty prices by way of guaranteed minimum, it should be recalled that the valuation of these contracts and the estimation of the associated costs is subject to numerous uncertainties that include, amongst others, market dynamics, rulings by the market regulatory authorities and the development of new technologies in support of the service. These estimates are revised from time to time on the basis of the final data in order to make sure that the provisional figures remain within the reasonably foreseeable range. Not all the factors mentioned are under the company's control hence they could have a significant impact on future forecasts regarding the performance of the contracts, the estimated amount of (positive or negative) margins and the cash flows that are generated.

TIM GROUP - RIGHT TO USE 5G FREQUENCIES IN ITALY

On September 30, 2022, TIM paid the fifth and final installment, of 1.7 billion euros, out of the total of 2.4 billion euros due in fulfillment of the undertakings made by the Company following the award of the rights to use mobile frequency bandwidths pursuant to the "5G Auction" held in 2018 by the Ministry for Economic Development.

In detail:

In October 2018, following a public tender process in which 5 Italian mobile operators took part (Iliad, Fastweb, TIM, Vodafone and Wind3), TIM was awarded the rights of use on all bandwidths included in the auction. In particular, TIM was awarded 2x10 MHz in the 700 MHz bandwidth (blocks available from July 1, 2022), 80 MHz in the 3.6-3.8 GHz bandwidth and 200 MHz in the 26 GHz bandwidth (both bandwidths available from January 1, 2019).

The total amount of the award was 2.4 billion euros, to be paid in five annual installments as per the forecast collections of the 2017 Budget Law, broken down as follows:

(euros)	2018	2019	2020	2021	2022	Total
Telecom Italia S.p.A.	477,473,285.00	18,342,110.83	110,052,665.01	55,026,332.50	1,738,485,952.97	2,399,380,346.32

Following payment of the last installment, on October 04, 2022 the Ministry of Economic Development notified the guarantor banks of the definitive release of the surety given at the time as guarantee of the payment obligations.

The 5G frequencies allow TIM, together with the other frequency bandwidths already in its possession, to cover all cases of use envisaged by the International Telecommunication Union (ITU) for 5G (IMT-2020 5G), thereby satisfying the needs of the world seeing very strong IoT growth thanks to the possibility of simultaneously managing thousands of connections and Industry 4.0 thanks to the very low latencies and entertainment, thanks to the high transmission speeds (over 2 Gbps) and, finally, the automotive and mission critical applications (Public Safety and Public Protection/Disaster Relief) thanks to the extremely reliable connections.

It should be highlighted that in the 3.4-3.8 GHz bandwidth, TIM is the only Italian mobile operator to have 100 MHz (20 MHz in the 3.4-3.6 GHz bandwidth and 80 MHz in the 3.6-3.8 GHz bandwidth) and is therefore able to offer significantly better latency and throughput than national competitors.

The value of the rights of use for the 5G frequency bandwidths (in Italy) and the related useful lives at December 31, 2022 are detailed as follows:

	Acquisition value (million euros)	Residual amount at 12/31/2022 (million euros)	Useful life	Maturity
694-790 MHz band	680	658	15 years and 6 months	12/31/2037
3600-3800 MHz band	1,686	1,331	19 years	12/31/2037
26,5-27,5 GHz band	33	26	19 years	12/31/2037
	2,399	2,015		

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

Fixed

	12/31/2022	12/31/2021	12/31/2020
Total TIM Retail accesses (thousands)	8,290	8,647	8,791
<i>of which NGN</i> ⁽¹⁾	5,417	5,186	4,432
Total TIM Wholesale accesses (thousands)	7,525	7,729	7,974
<i>of which NGN</i>	5,171	4,819	4,220
Active Broadband accesses of TIM Retail (thousands)	7,443	7,733	7,635
Consumer ARPU (€/month) ⁽²⁾	28.3	30.1	33.0
Broadband ARPU (€/month) ⁽³⁾	35.6	33.4	31.3

(1) Ultrabroadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).

(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

	12/31/2022	12/31/2021	12/31/2020
Lines at period end (thousands)	30,407	30,466	30,170
<i>of which Human</i>	18,438	19,054	19,795
Churn rate (%) ⁽⁴⁾	13.3	14.7	18.6
Broadband users (thousands) ⁽⁵⁾	12,577	12,783	12,818
Retail ARPU (€/month) ⁽⁶⁾	7.1	7.5	8.0
Human ARPU (€/month) ⁽⁷⁾	11.5	11.7	12.1

(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.

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	2022 (a)	2021 (b)	Change (a-b)
Average salaried headcount-Italy	36,866	38,826	(1,960)
Average salaried headcount-Outside Italy	9,046	9,116	(70)
Total average salaried workforce ⁽¹⁾	45,912	47,942	(2,030)

⁽¹⁾ Includes agency contract workers: 15 average employees in Italy in 2022; 12 average employees in Italy in 2021.

Headcount at year end

(number)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Headcount - Italy	40,752	42,347	(1,595)
Headcount - Outside Italy	9,640	9,582	58
Total headcount at year end ⁽¹⁾	50,392	51,929	(1,537)

⁽¹⁾ Includes agency contract workers: 15 employees in Italy at 12/31/2022; 16 employees in Italy at 12/31/2021.

Headcount at year end - Breakdown by Business Unit

(number)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Domestic	40,984	42,591	(1,607)
Brazil	9,395	9,325	70
Other Operations	13	13	—
Total	50,392	51,929	(1,537)

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:

(million euros)	2022	2021
Revenues:		
Revenue adjustments	—	(5)
Other income:		
Recovery of operating expenses	23	13
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(56)	(49)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(572)	(367)
Other operating expenses:		
Other expenses and provisions	(77)	(735)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(682)	(1,143)
CGU Domestic goodwill impairment charge	—	(4,120)
Impact on EBIT - Operating profit (loss)	(682)	(5,263)
Other income (expenses) from investments:		
Net capital gain on corporate transactions	203	119
Finance income:		
Other finance income	—	1
Finance expenses:		
Other finance expenses	(11)	(1)
Impact on profit (loss) before tax from continuing operations	(490)	(5,144)
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(1,964)	(3,785)
Income taxes on non-recurring items	17	276
Impact on profit (loss) for the year	(2,437)	(8,653)

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND MATURING BONDS

Revolving Credit Facility and Term Loan

The following table shows committed credit lines^(*) available at December 31, 2022:

(billion euros)	12/31/2022		12/31/2021	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF – May 2026	4.0	—	4.0	—
Total	4.0	—	4.0	—

(*) In accordance with the contract signed, the Banks have committed to make the funds available on demand (with at least 3 days' notice). As this is a "Committed" line, the banks have no mechanisms in place not to honor the request for funds made by the Company, without prejudice to the market standard early mandatory cancellation clauses (Natural contract expiry, Change in control, Borrower illegality, Events of default).

On July 6, 2022, TIM stipulated a new loan with a pool of leading international banks, which benefits from the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020 as subsequently amended and supplemented) for an amount of 2 billion euros.

Bonds

The change in bonds during 2022 was as follows:

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 2002-2022 reserved for subscription by employees	Euro	214	1/1/2022
Telecom Italia S.p.A. 1,250 million euros 5.25% ⁽¹⁾	Euro	884	2/10/2022
Telecom Italia S.p.A. 2,000 million euros 1.125% Convertible bond	Euro	2,000	3/26/2022

(1) Net of buy-backs totaling 366 million euros made by the company in 2015.

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds maturing in the 18 months following December 31, 2022 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 5,829 million euros, as detailed below:

- 1,000 million euros, due January 16, 2023;
- 423 million euros (equivalent-value 375 GBP), due May 19, 2023;
- 1,000 million euros, due July 19, 2023;
- 750 million euros, due January 19, 2024;
- 1,250 million euros, due April 11, 2024;
- 1,406 million euros (equivalent-value 1,500 USD), due May 30, 2024.

Bonds issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. 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; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relating 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 these bonds have been placed principally with institutional investors in main world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets.

Regarding loans taken out by TIM from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros.

Therefore, at December 31, 2022 the nominal total of outstanding loans with the EIB was 700 million euros, all drawn down and not backed by bank guarantee.

The two EIB loans signed on November 25, 2019 and May 19, 2021 contain the following covenants:

- in the event the company becomes the target of a merger, demerger or conferral of a business segment outside the TIM 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 agreements, 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 TIM 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 TIM Group companies other than TIM – except for the cases when that debt is fully and irrevocably secured by TIM – is lower than 35% (thirty-five percent) of the TIM 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, 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 TIM loan agreements do not contain any financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the loan in place, with the exception of the loan signed on July 6, 2022, which is backed by the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020, as subsequently amended and supplemented).

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 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.

The documentation of the loans granted to certain companies of the TIM Group generally contain obligations to comply with certain financial 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, 2022, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

TIM S.p.A. - SEPARATE INCOME STATEMENTS

(million euros)	2022	2021	Change (a-b)	
	(a)	(b)	amount	%
Revenues	12,098	12,397	(299)	(2.4)
Other income	245	322	(77)	(23.9)
Total operating revenues and other income	12,343	12,719	(376)	(3.0)
Acquisition of goods and services	(7,602)	(6,759)	(843)	(12.5)
Employee benefits expenses	(2,578)	(2,453)	(125)	(5.1)
Other operating expenses	(420)	(1,179)	759	64.4
Change in inventories	28	21	7	33.3
Internally generated assets	315	288	27	9.4
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,086	2,637	(551)	(20.9)
Depreciation and amortization	(2,759)	(2,996)	237	7.9
Gains (losses) on disposals of non-current assets	24	(43)	67	—
Impairment reversals (losses) on non-current assets	—	(4,120)	4,120	—
Operating profit (loss) (EBIT)	(649)	(4,522)	3,873	85.6
Income (expenses) from investments	408	834	(426)	(51.1)
Finance income	1,415	1,076	339	31.5
Finance expenses	(2,408)	(1,984)	(424)	(21.4)
Profit (loss) before tax	(1,234)	(4,596)	3,362	73.2
Income tax expense	(1,843)	(3,718)	1,875	50.4
Profit (loss) for the year	(3,077)	(8,314)	5,237	63.0

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.

(million euros)	2022	2021
Profit (loss) for the year	(3,077)	(8,314)
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	(2)	7
Income tax effect	—	—
(b)	(2)	7
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	68	(14)
Income tax effect	(16)	3
(c)	52	(11)
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	50	(4)
Other components that will be reclassified subsequently to Separate Income Statement		
Available-for-sale financial assets:		
Profit (loss) from fair value adjustments	(17)	(5)
Loss (profit) transferred to the Separate Income Statement	—	—
Income tax effect	4	1
(f)	(13)	(4)
Hedging instruments:		
Profit (loss) from fair value adjustments	1,019	538
Loss (profit) transferred to the Separate Income Statement	(69)	(185)
Income tax effect	(228)	(84)
(g)	722	269
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	709	265
Total other components of the Statement of Comprehensive Income	759	261
Total comprehensive income (loss) for the year	(2,318)	(8,053)

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

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	12,064	12,961	(897)
Intangible assets with a finite useful life	5,023	5,278	(255)
	17,087	18,239	(1,152)
Tangible assets			
Property, plant and equipment owned	6,837	7,223	(386)
Right of use assets	3,188	3,320	(132)
Other non-current assets			
Investments	11,021	11,054	(33)
Non-current financial receivables for lease contract	8	11	(3)
Other non-current financial assets	3,494	4,438	(944)
Miscellaneous receivables and other non-current assets	1,878	1,974	(96)
Deferred tax assets	461	3,364	(2,903)
	16,862	20,841	(3,979)
Total Non-current assets (a)	43,974	49,623	(5,649)
Current assets			
Inventories	193	165	28
Trade and miscellaneous receivables and other current assets	4,293	3,931	362
Current income tax receivables	34	43	(9)
Current financial assets			
Current financial receivables arising from lease contracts	45	39	6
Securities other than investments, other financial receivables and other current financial assets	467	116	351
Cash and cash equivalents	1,375	3,558	(2,183)
	1,887	3,713	(1,826)
Total Current assets (b)	6,407	7,852	(1,445)
Total Assets (a+b)	50,381	57,475	(7,094)

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Share capital issued	11,677	11,677	—
Less: treasury shares	(63)	(63)	—
Share capital	11,614	11,614	—
Additional paid-in capital	2,133	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	505	2,817	(2,312)
Total Equity (c)	14,252	16,564	(2,312)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	18,779	21,877	(3,098)
Non-current financial liabilities for lease contracts	2,600	2,743	(143)
Employee benefits	631	641	(10)
Deferred tax liabilities	—	—	—
Provisions	517	633	(116)
Miscellaneous payables and other non-current liabilities	875	1,196	(321)
Total Non-current liabilities (d)	23,402	27,090	(3,688)
Current liabilities			
Current financial liabilities for financing contracts and others	5,690	5,045	645
Current financial liabilities for lease contracts	459	434	25
Trade and miscellaneous payables and other current liabilities	6,578	8,111	(1,533)
Current income tax payables	—	231	(231)
Total Current Liabilities (e)	12,727	13,821	(1,094)
Total Liabilities (f=d+e)	36,129	40,911	(4,782)
Total Equity and Liabilities (c+f)	50,381	57,475	(7,094)

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

(million euros)	2022	2021
Cash flows from operating activities:		
Profit (loss) for the year	(3,077)	(8,314)
Adjustments for:		
Depreciation and amortization	2,759	2,996
Impairment losses (reversals) on non-current assets (including investments)	21	4,125
Net change in deferred tax assets and liabilities	2,662	3,843
Losses (gains) realized on disposals of non-current assets (including investments)	(337)	35
Change in employee benefits	144	(83)
Change in inventories	(28)	(21)
Change in trade receivables and net amounts due from customers on construction contracts	(204)	(261)
Change in trade payables	444	518
Net change in income tax receivables/payables	(452)	(236)
Net change in miscellaneous receivables/payables and other assets/liabilities	(589)	(227)
Cash flows from (used in) operating activities	(a) 1,343	2,375
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(3,582)	(2,201)
Capital grants received	3	3
Acquisition of control of companies or other businesses, net of cash acquired	—	4
Acquisitions/disposals of other investments	(46)	(130)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	140	1,153
Proceeds from sale of investments in subsidiaries	—	—
Proceeds from sale/repayments of intangible, tangible and other non-current assets	1,283	53
Cash flows from (used in) investing activities	(b) (2,202)	(1,118)
Cash flows from financing activities:		
Change in current financial liabilities and other	48	(182)
Proceeds from non-current financial liabilities (including current portion)	2,000	2,100
Repayments of non-current financial liabilities (including current portion)	(4,193)	(2,600)
Changes in hedging and non-hedging derivatives	—	103
Share capital proceeds/reimbursements	—	—
Dividends paid	(1)	(318)
Changes in ownership interests in subsidiaries	—	1,759
Cash flows from (used in) financing activities	(c) (2,146)	862
Aggregate cash flows	(d=a+b+c) (3,005)	2,119
Net cash and cash equivalents at beginning of the year	(e) 3,364	1,245
Net cash and cash equivalents at end of the year	(f=d+e) 359	3,364

Purchases of intangible, tangible and rights of use assets

(million euros)	2022	2021
Purchase of intangible assets	(776)	(1,055)
Purchase of tangible assets	(899)	(1,167)
Purchase of right of use assets	(390)	(325)
Total purchase of intangible, tangible and right of use assets on an accrual basis	(2,065)	(2,547)
Change in payables arising from purchase of intangible, tangible and right of use assets	(1,517)	346
Total purchases of intangible, tangible and rights of use assets on a cash basis	(3,582)	(2,201)

Additional Cash Flow information

(million euros)	2022	2021
Income taxes (paid) received	233	(206)
Interest expense paid	(1,384)	(1,296)
Interest income received	(556)	504
Dividends received	113	780

Analysis of Net Cash and Cash Equivalents

(million euros)	2022	2021
Net cash and cash equivalents at the beginning of the year:		
Cash and cash equivalents	3,558	1,765
Bank overdrafts repayable on demand	(194)	(520)
	3,364	1,245
Net cash and cash equivalents at the end of the year:		
Cash and cash equivalents	1,375	3,558
Bank overdrafts repayable on demand	(1,016)	(194)
	359	3,364

TIM S.p.A. - NET FINANCIAL DEBT

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	10,118	12,506	(2,388)
Amounts due to banks, other financial payables and liabilities	8,661	9,371	(710)
Financial lease liabilities	2,600	2,743	(143)
	21,379	24,620	(3,241)
Current financial liabilities (1)			
Bonds	2,668	3,384	(716)
Amounts due to banks, other financial payables and liabilities	3,022	1,661	1,361
Financial lease liabilities	459	434	25
	6,149	5,479	670
Total Gross financial debt	27,528	30,099	(2,571)
Non-current financial assets			
Non-current financial receivable for lease contracts	(8)	(11)	3
Financial receivables and other non-current financial assets	(3,494)	(4,438)	944
	(3,502)	(4,449)	947
Current financial assets			
Securities other than investments	—	—	—
Current financial receivables arising from lease contracts	(45)	(39)	(6)
Financial receivables and other current financial assets	(467)	(116)	(351)
Cash and cash equivalents	(1,375)	(3,558)	2,183
	(1,887)	(3,713)	1,826
Total financial assets	(5,389)	(8,162)	2,773
Net financial debt carrying amount	22,139	21,937	202
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(430)	(1,325)	895
Adjusted Net Financial Debt	21,709	20,612	1,097
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	26,769	27,753	(984)
Total adjusted financial assets	(5,060)	(7,141)	2,081
<i>(1) of which current portion of medium/long -term debt:</i>			
Bonds	2,668	3,384	(716)
Amounts due to banks, other financial payables and liabilities	1,537	1,045	492
Financial lease liabilities	435	432	3

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:

(million euros)	2022	2021
Operating revenues and other income	23	(3)
Revenue adjustments of previous years	—	(5)
Other income	23	2
Acquisition of goods and services, Change in inventories:	(30)	(38)
Professional expenses, consulting services and other costs	(30)	(38)
Employee benefits expenses	(537)	(358)
Expenses related to corporate reorganization/ restructuring processes	(537)	(358)
Other operating expenses	(76)	(735)
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	(75)	(610)
Sundry expenses	(1)	(125)
Impact on operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(620)	(1,134)
Impairment reversals (losses) on non-current assets	—	(4,120)
Goodwill impairment charges	—	(4,120)
Impact on EBIT - Operating profit (loss)	(620)	(5,254)
Other income (expenses) from investments	313	9
Other finance income (expenses)	(10)	(1)
Impact on profit (loss) before tax	(317)	(5,246)
Tax realignment in accordance with Decree Law 104/2020, Art. 110	(1,964)	(3,785)
Income taxes on non-recurring items	—	270
Impact on profit (loss) for the year	(2,281)	(8,761)

ALTERNATIVE PERFORMANCE MEASURES

In addition to the conventional financial performance measures established by IFRS, the TIM Group uses certain alternative performance measures in its internal presentations (business plan) and in external presentations (to analysts and investors) for the purposes of enabling a better understanding of the performance of its operations and its financial position. These indicators in fact represent a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

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. As these measurements are not defined by the IFRSs, their calculation may differ from the alternative indicators published by other companies. This is why comparability between companies may be limited.

The alternative performance measures normally used are described below:

- **EBITDA:** this indicator is used by TIM as the financial target, in addition to the **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 losses (profits) 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. The TIM Group presents a reconciliation between the “accounting or reported” figures and the “organic excluding the non-recurring items”.
- **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.
- **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. The TIM Group presents 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	

- **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:

Reduction/(Increase) in adjusted net financial debt from continuing operations	
+/-	Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))
-	Payment of TLC licenses and for the use of frequencies
+/-	Financial impact of acquisitions and/or disposals of investments
-	Dividend payment and Change in Equity
Equity Free Cash Flow	

- **Capital expenditures** (net of TLC licenses): this financial measure represents the capital expenditures made net of investments for competence relating to TLC licenses for the use of frequencies.
- **Operating free cash flow (OFCF)** and operating cash flow (net of licenses): these financial measures represent the cash flow available to repay the debt (including lease payables) and cover any financial investments and, in the case of OFCF, payments of licenses and frequencies.

Operating free cash flow and operating cash flow (net of licenses) are calculated as follows:

EBITDA	
-	Capital expenditures on an accrual basis
+/-	Change in net operating working capital (Change in inventories, Change in trade receivables and other net receivables, Change in trade payables, Change in payables for mobile telephone licenses/spectrum, Other changes in operating receivables/payables, Change in employee benefits, Change in operating provisions and other changes)
Operating Free Cash Flow	
-	Payment of TLC licenses and for the use of frequencies
Operating Free Cash Flow (net of licenses)	

Alternative performance measures after lease

Following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance measures:

- **EBITDA 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;
- **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. 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 payments

This measure is a useful indicator of the ability to generate Free Cash Flow.