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

March 2, 2022

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 2021 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, 2021.

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, 2020 to which reference should be made, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2021.

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, 2021, as well as the check of consistency of the 2021 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)

	2021	2020	Changes (a-b)	
	(a)	(b)	absolute	%
Revenues	15,316	15,805	(489)	(3.1)
Other income	272	211	61	28.9
Total operating revenues and other income	15,588	16,016	(428)	(2.7)
Acquisition of goods and services	(6,550)	(6,173)	(377)	(6.1)
Employee benefits expenses	(2,941)	(2,639)	(302)	(11.4)
Other operating expenses	(1,502)	(961)	(541)	(56.3)
Change in inventories	10	(6)	16	—
Internally generated assets	475	502	(27)	(5.4)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,080	6,739	(1,659)	(24.6)
Depreciation and amortization	(4,490)	(4,616)	126	2.7
Gains (losses) on disposals of non-current assets	1	(11)	12	—
Impairment reversals (losses) on non-current assets	(4,120)	(8)	(4,112)	—
Operating profit (loss) (EBIT)	(3,529)	2,104	(5,633)	—
Share of profits (losses) of associates and joint ventures accounted for using the equity method	38	18	20	—
Other income (expenses) from investments	126	454	(328)	(72.2)
Finance income	1,124	1,143	(19)	(1.7)
Finance expenses	(2,274)	(2,322)	48	2.1
Profit (loss) before tax from continuing operations	(4,515)	1,397	(5,912)	—
Income tax expense	(3,885)	5,955	(9,840)	—
Profit (loss) from continuing operations	(8,400)	7,352	(15,752)	—
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	(8,400)	7,352	(15,752)	—
Attributable to:				
Owners of the Parent	(8,652)	7,224	(15,876)	—
Non-controlling interests	252	128	124	—

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.

(million euros)		2021	2020
Profit (loss) for the year	(a)	(8,400)	7,352
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		7	(4)
Income tax effect		—	—
	(b)	7	(4)
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(8)	6
Income tax effect		(3)	(1)
	(c)	(11)	5
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)	(4)	1
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		28	5
Loss (profit) transferred to Separate Consolidated Income Statement		(6)	—
Income tax effect		—	—
	(f)	22	5
Hedging instruments:			
Profit (loss) from fair value adjustments		658	(253)
Loss (profit) transferred to Separate Consolidated Income Statement		(365)	373
Income tax effect		(71)	(30)
	(g)	222	90
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		50	(1,612)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	50	(1,612)
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)	294	(1,517)
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	290	(1,516)
Total comprehensive income (loss) for the year	(a+m)	(8,110)	5,836
Attributable to:			
Owners of the Parent		(8,374)	6,199
Non-controlling interests		264	(363)

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	18,568	22,847	(4,279)
Intangible assets with a finite useful life	7,147	6,740	407
	25,715	29,587	(3,872)
Tangible assets			
Property, plant and equipment owned	13,311	13,141	170
Rights of use assets	4,847	4,992	(145)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	2,979	2,728	251
Other investments	156	54	102
Non-current financial receivables arising from lease contracts	45	43	2
Other non-current financial assets	2,285	2,267	18
Miscellaneous receivables and other non-current assets	2,266	2,114	152
Deferred tax assets	3,513	7,496	(3,983)
	11,244	14,702	(3,458)
Total Non-current assets	(a) 55,117	62,422	(7,305)
Current assets			
Inventories	282	242	40
Trade and miscellaneous receivables and other current assets	4,358	4,346	12
Current income tax receivables	79	86	(7)
Current financial assets			
<i>Current financial receivables arising from lease contracts</i>	56	55	1
<i>Securities other than investments, other financial receivables and other current financial assets</i>	2,391	1,254	1,137
<i>Cash and cash equivalents</i>	6,904	4,829	2,075
	9,351	6,138	3,213
Current assets sub-total	14,070	10,812	3,258
Discontinued operations /Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	—	—	—
	—	—	—
Total Current assets	(b) 14,070	10,812	3,258
Total Assets	(b+a) 69,187	73,234	(4,047)

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	17,414	26,215	(8,801)
Non-controlling interests	4,625	2,625	2,000
Total Equity (c)	22,039	28,840	(6,801)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	23,437	23,655	(218)
Non-current financial liabilities for lease contracts	4,064	4,199	(135)
Employee benefits	699	724	(25)
Deferred tax liabilities	245	277	(32)
Provisions	926	770	156
Miscellaneous payables and other non-current liabilities	1,413	3,602	(2,189)
Total Non-current liabilities (d)	30,784	33,227	(2,443)
Current liabilities			
Current financial liabilities for financing contracts and others	5,945	3,677	2,268
Current financial liabilities for lease contracts	651	631	20
Trade and miscellaneous payables and other current liabilities	9,473	6,588	2,885
Current income tax payables	295	271	24
Current liabilities sub-total	16,364	11,167	5,197
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)	16,364	11,167	5,197
Total Liabilities (f=d+e)	47,148	44,394	2,754
Total Equity and Liabilities (c+f)	69,187	73,234	(4,047)

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	2021	2020
Cash flows from operating activities:		
Profit (loss) from continuing operations	(8,400)	7,352
Adjustments for:		
Depreciation and amortization	4,490	4,616
Impairment losses (reversals) on non-current assets (including investments)	4,118	36
Net change in deferred tax assets and liabilities	3,894	(6,538)
Losses (gains) realized on disposals of non-current assets (including investments)	(120)	(441)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(38)	(18)
Change in employee benefits	(83)	(628)
Change in inventories	(39)	20
Change in trade receivables and other net receivables	257	484
Change in trade payables	337	(231)
Net change in income tax receivables/payables	(313)	708
Net change in miscellaneous receivables/payables and other assets/liabilities	233	1,191
Cash flows from (used in) operating activities	(a) 4,336	6,551
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(4,013)	(3,477)
Capital grants received	3	24
Acquisition of control of companies or other businesses, net of cash acquired	—	(7)
Acquisitions/disposals of other investments	(100)	(11)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(1,183)	(251)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	172	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets	4	678
Cash flows from (used in) investing activities	(b) (5,117)	(3,077)
Cash flows from financing activities:		
Change in current financial liabilities and other	704	(1,461)
Proceeds from non-current financial liabilities (including current portion)	4,082	1,470
Repayments of non-current financial liabilities (including current portion)	(3,072)	(2,790)
Changes in hedging and non-hedging derivatives	103	—
Share capital proceeds/reimbursements (including subsidiaries)	(42)	1,164
Dividends paid	(368)	(390)
Changes in ownership interests in consolidated subsidiaries	1,757	(2)
Cash flows from (used in) financing activities	(c) 3,164	(2,009)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) —	—
Aggregate cash flows	(e=a+b+c+d) 2,383	1,465
Net cash and cash equivalents at beginning of the year	(f) 4,508	3,202
Net foreign exchange differences on net cash and cash equivalents	(g) 13	(159)
Net cash and cash equivalents at end of the year	(h=e+f+g) 6,904	4,508

Purchases of intangible, tangible and rights of use assets

(million euros)	2021	2020
Purchase of intangible assets	(1,886)	(1,197)
Purchase of tangible assets	(2,665)	(2,138)
Purchase of rights of use assets	(746)	(1,362)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(5,297)	(4,697)
Change in payables arising from purchase of intangible, tangible and rights of use assets	1,284	1,220
Total purchases of intangible, tangible and rights of use assets on a cash basis	(4,013)	(3,477)

Additional Cash Flow information

(million euros)	2021	2020
Income taxes (paid) received	(242)	223
Interest expense paid	(1,440)	(1,520)
Interest income received	437	448
Dividends received	90	256

Analysis of Net Cash and Cash Equivalents

(million euros)	2021	2020
Net cash and cash equivalents at beginning 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
Net cash and cash equivalents at end 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

TIM GROUP - NET FINANCIAL DEBT

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	17,383	18,856	(1,473)
Amounts due to banks, other financial payables and liabilities	6,054	4,799	1,255
Non-current financial liabilities for lease contracts	4,064	4,199	(135)
	27,501	27,854	(353)
Current financial liabilities (*)			
Bonds	3,512	988	2,524
Amounts due to banks, other financial payables and liabilities	2,433	2,689	(256)
Current financial liabilities for lease contracts	651	631	20
	6,596	4,308	2,288
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	34,097	32,162	1,935
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(45)	(43)	(2)
Financial receivables and other non-current financial assets	(2,285)	(2,267)	(18)
	(2,330)	(2,310)	(20)
Current financial assets			
Securities other than investments	(2,249)	(1,092)	(1,157)
Current financial receivables arising from lease contracts	(56)	(55)	(1)
Financial receivables and other current financial assets	(142)	(162)	20
Cash and cash equivalents	(6,904)	(4,829)	(2,075)
	(9,351)	(6,138)	(3,213)
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(11,681)	(8,448)	(3,233)
Net financial debt carrying amount	22,416	23,714	(1,298)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(229)	(388)	159
Adjusted Net Financial Debt	22,187	23,326	(1,139)
Breakdown as follows:			
Total adjusted gross financial debt	32,564	30,193	2,371
Total adjusted financial assets	(10,377)	(6,867)	(3,510)
(*) of which current portion of medium/long-term debt:			
Bonds	3,512	988	2,524
Amounts due to banks, other financial payables and liabilities	898	1,541	(643)
Current financial liabilities for lease contracts	648	628	20

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(million euros)	2021	2020	Change
	(a)	(b)	(a-b)
EBITDA	5,080	6,739	(1,659)
Capital expenditures on an accrual basis	(4,630)	(3,409)	(1,221)
Change in net operating working capital:	733	772	(39)
<i>Change in inventories</i>	(39)	20	(59)
<i>Change in trade receivables</i>	257	484	(227)
<i>Change in trade payables</i>	584	(193)	777
<i>Change in payables for mobile telephone licenses / spectrum</i>	369	(110)	479
<i>Other changes in operating receivables/payables</i>	(438)	571	(1,009)
Change in employee benefits	(83)	(628)	545
Change in operating provisions and Other changes	344	(170)	514
Net operating free cash flow	1,444	3,304	(1,860)
<i>Of which operating free cash flow connected to the purchase of mobile telephone licenses / spectrum</i>	(55)	(110)	55
<i>% of Revenues</i>	9.4	20.9	(11.5)pp
Sale of investments and other disposals flow	1,935	1,294	641
Share capital increases/reimbursements, including incidental expenses	(42)	1,164	(1,206)
Financial investments	(102)	(25)	(77)
Dividends payment	(368)	(390)	22
Increases in lease contracts	(667)	(1,288)	621
Finance expenses, income taxes and other net non-operating requirements flow	(1,061)	283	(1,344)
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,139	4,342	(3,203)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	1,139	4,342	(3,203)

Equity Free Cash Flow

(million euros)	2021	2020	Change
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,139	4,342	(3,203)
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	452	419	33
Payment of TLC licenses and for the use of frequencies	435	110	325
Financial impact of acquisitions and/or disposals of investments	(1,804)	(1,483)	(321)
Dividend payment and Change in Equity	410	(974)	1,384
Equity Free Cash Flow	632	2,414	(1,782)

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

(million euros)	2021 (a)	2020 (b)	Changes (a-b)		% organic excluding non-recurring
			absolute	%	
Revenues	12,505	12,905	(400)	(3.1)	(3.3)
EBITDA	3,730	5,339	(1,609)	(30.1)	(12.8)
% of Revenues	29.8	41.4		(11.6)pp	(4.3)pp
EBIT	(3,990)	1,635	(5,625)		(32.5)
% of Revenues	(31.9)	12.7		(44.6)pp	(4.4)pp
Headcount at year-end (number) (*)	42,591	42,925	(334)	(0.8)	

(*) Includes employees with temp work contracts: 16 employees at December 31, 2021 (14 employees at December 31, 2020).

(million euros)	4th Quarter 2021 (a)	4th Quarter 2020 (b)	Changes (a-b)		% organic excluding non-recurring
			absolute	%	
Revenues	3,224	3,433	(209)	(6.1)	(6.0)
EBITDA	351	1,258	(907)	(72.1)	(28.5)
% of Revenues	10.9	36.6		(25.7)pp	(9.8)pp
EBIT	(4,621)	323	(4,944)		(68.1)
% of Revenues	—	9.4			(8.8)pp

Fixed

	12/31/2021	12/31/2020	12/31/2019
Total TIM Retail accesses (thousands)	8,647	8,791	9,166
of which NGN ⁽¹⁾	5,186	4,432	3,670
Total TIM Wholesale accesses (thousands)	7,729	7,974	8,051
of which NGN	4,819	4,220	3,309
Active Broadband accesses of TIM Retail (thousands)	7,733	7,635	7,592
Consumer ARPU (€/month) ⁽²⁾	30.1	33.0	34.9
Broadband ARPU (€/month) ⁽³⁾	33.4	31.3	27.7

(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 and ICT services in proportion to the average TIM retail accesses.

Mobile

	12/31/2021	12/31/2020	12/31/2019
Lines at period end (thousands)	30,466	30,170	30,895
of which Human	19,054	19,795	21,003
Churn rate (%) ⁽⁴⁾	14.7	18.6	20.4
Broadband users (thousands) ⁽⁵⁾	12,783	12,818	12,823
Retail ARPU (€/month) ⁽⁶⁾	7.5	8.0	8.7
Human ARPU (€/month) ⁽⁷⁾	11.7	12.1	12.6

(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.

Details of revenues for the 2021 for the Domestic Business Unit are presented in the following table, broken down by customer/business segment and compared to 2020.

(million euros)	4th Quarter 2021	4th Quarter 2020	2021	2020	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-recurring (a/b)	organic excluding non-recurring (c/d)
Revenues	3,224	3,433	12,505	12,905	(6.1)	(3.1)	(6.0)	(3.3)
Consumer	1,326	1,525	5,419	5,897	(13.0)	(8.1)	(13)	(8.3)
Business	1,136	1,105	4,117	4,087	2.9	0.7	2.9	—
Wholesale National Market	462	510	1,946	1,906	(9.4)	2.1	(8.5)	2.4
Wholesale International Market	289	262	1,008	966	10.3	4.3	9.9	5.2
Other	11	31	15	49				



Brazil

	(million euros)		(million Brazilian reais)		Changes		
	2021	2020	2021	2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	2,840	2,933	18,058	17,268	790	4.6	4.6
EBITDA	1,362	1,407	8,661	8,282	379	4.6	4.7
% of Revenues	48.0	48.0	48.0	48.0		0.0pp	0.1pp
EBIT	473	476	3,010	2,801	209	7.5	7.7
% of Revenues	16.7	16.2	16.7	16.2		0.5pp	0.5pp
Headcount at year-end (number)			9,325	9,409	(84)	(0.9)	

	(million euros)		(million Brazilian reais)		Changes		
	4th Quarter 2021	4th Quarter 2020	4th Quarter 2021	4th Quarter 2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	761	725	4,799	4,678	121	2.6	2.6
EBITDA	385	364	2,429	2,336	93	4.0	3.4
% of Revenues	50.6	49.9	50.6	49.9		0.7pp	0.4pp
EBIT	158	156	999	974	25	2.6	1.3
% of Revenues	20.8	20.8	20.8	20.8		0.0pp	(0.3)pp

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	2021 (a)	2020 (b)	Change (a-b)
Average salaried workforce – Italy	38,826	40,140	(1,314)
Average salaried workforce – Outside Italy	9,116	8,959	157
Total average salaried workforce ⁽¹⁾	47,942	49,099	(1,157)

(1) Includes agency contract workers: 12 average employees in Italy in 2021; 9 average employees in Italy in 2020.

Headcount at year end

(number)	12/31/2021 (a)	12/31/2020 (b)	Change (a-b)
Headcount – Italy	42,347	42,680	(333)
Headcount – Outside Italy	9,582	9,667	(85)
Total headcount at year end ⁽¹⁾	51,929	52,347	(418)

(1) Includes agency contract workers: 16 employees in Italy at 12/31/2021; 14 employees in Italy at 12/31/2020.

Headcount at year end – Breakdown by Business Unit

(number)	12/31/2021 (a)	12/31/2020 (b)	Change (a-b)
Domestic	42,591	42,925	(334)
Brazil	9,325	9,409	(84)
Other Operations	13	13	—
Total	51,929	52,347	(418)

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)	2021	2020
Revenues:		
Revenue adjustments	(5)	(39)
Other income:		
Other operating provisions absorption	—	1
Recovery of operating expenses	13	—
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(49)	(64)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(367)	(74)
Other operating expenses:		
Other expenses and provisions	(735)	(148)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(1,143)	(324)
CGU Domestic goodwill impairment charge	(4,120)	—
Impact on EBIT - Operating profit (loss)	(5,263)	(324)
Other income (expenses) from investments:		
Net gain corporate transactions	119	452
Finance income:		
Other finance income	1	—
Finance expenses:		
Other finance expenses	(1)	(7)
Impact on profit (loss) before tax from continuing operations	(5,144)	121
Tax realignment in accordance with Decree Law 104/2020, Art. 110	(3,785)	5,877
Income taxes on non-recurring items	276	50
Impact on profit (loss) for the year	(8,653)	6,048

In 2021, the COVID-19 emergency meant that the TIM Group incurred non-recurring charges, gross of tax effects, for approximately 25 million euros, of which 20 million euros allocated in connection with credit management deriving from the forecast deterioration in the expected credit loss of corporate customers, due to the expected evolution of the pandemic.

In addition, staff costs have been recorded (1 million euros) relating to supplies and miscellaneous costs (4 million euros), which were necessary to manage the health emergency. Furthermore, the figures stated mainly include both non-recurring charges connected with corporate reorganization/restructuring processes and provisions for disputes, transactions, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects.

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, 2021:

(billion euros)	12/31/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF – maturing May 2026	4.0	—	—	—
Revolving Credit Facility – maturing January 2023	—	—	5.0	—
Bridge to Bond Facility – maturing May 2021	—	—	1.7	—
Total	4.0	—	6.7	—

At December 31, 2021, TIM had bilateral Term Loans for 850 million euros with various banking counterparties and an overdraft facility for 200 million euros, drawn down for the full amount.

On January 19, 2021, TIM entirely canceled the credit line for 1.7 billion euros, which was not used, stipulated on May 18, 2020 as bridge to bond for subsequent issues on the bond market and an initial maturity of 12 months with an option of extension for another 12 months.

On May 13, 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the Group's first ever ESG-linked credit facility.

On December 23, 2021, the subsidiary FiberCop S.p.A. signed a new 5-year Term Loan for an amount of 1.5 billion euros with a pool of international banks, fully drawn down.

Bonds

The change in bonds during 2021 was as follows:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 1.625%	Euro	1,000	1/18/2021
TIM S.A. 1,600 million BRL IPCA+4.1682%	BRL	1,600	6/15/2021

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

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 564 million euros 4.500% ⁽¹⁾	Euro	564	1/25/2021

⁽¹⁾ Net of buy-backs totaling 436 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, 2021 was 214 million euros, down by 3 million euros compared to December 31, 2020 (217 million euros).

Note that on December 31, 2021, the "Telecom Italia S.p.A. 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired" bond was closed and the bonds fully repaid starting January 1, 2022, in accordance with the relevant Regulation.

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds maturing in the following 18 months as of December 31, 2021 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 4,544 million euros. With the following detail:

- 214 million euros, due January 1, 2022;
- 884 million euros, due February 10, 2022;
- 2,000 million euros, due March 26, 2022;
- 1,000 million euros, due January 16, 2023;
- 446 million euros, due May 19, 2023.

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), 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, it has extended the loan signed in 2019 for an amount of 120 million euros. Therefore, at December 31, 2021 the nominal total of outstanding loans with the EIB was 1,200 million euros, all drawn down and not backed by bank guarantee.

The three EIB loans signed on December 14, 2015, November 25, 2019 and May 19, 2021 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, 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 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 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, 2021, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

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.

TIM GROUP - RECALCULATION OF THE CONSOLIDATED INCOME STATEMENT FIGURES OF THE FIRST, SECOND AND THIRD QUARTER 2021

During the fourth quarter of 2021, TIM refined some aspects of the booking of certain commercial agreements concerning the sale of goods with deferred delivery. This refinement entailed the redetermination of the distribution over time of revenues and acquisition of goods and services during the first, second and third quarters of 2021.

In connection with the foregoing, the economic data of the first, second and third quarters of 2021, has been recalculated. The impacts on the items of the income statements for the quarters of 2021 deriving from these refinements, are as follows:

(millions euros)

	2021		
	1° Quarter	2° Quarter	3° Quarter
Revenues	(24)	—	(39)
Acquisition of goods and services	7	—	11
Operating profit (loss) before depreciation and amortization, capital	(17)	—	(28)
Operating profit (loss) (EBIT)	(17)	—	(28)
Profit (loss) before tax from continuing operations	(17)	—	(28)
Income tax expense	5	—	8
Profit (loss) for the period	(12)	—	(20)
<i>Attributable to:</i>			
Owners of the Parent	(12)	—	(20)
Non-controlling interests	—	—	—

Cumulative net impacts on equity balances were as follows:

(millions euros)

	as at 3/31/2021	as at 6/30/2021	as at 9/30/2021
Current and non-current assets			
Total trade and miscellaneous receivables and other current assets	(24)	(24)	(63)
Total Assets	(24)	(24)	(63)
Equity			
Equity attributable to owners of the Parent	(12)	(12)	(32)
Total Equity	(12)	(12)	(32)
Non-current and current liabilities			
Deferred tax liabilities	(5)	(5)	(13)
Trade and miscellaneous payables and other current liabilities	(7)	(7)	(18)
Total Equity and liabilities	(24)	(24)	(63)

The redetermination of the distribution over time of revenues from acquisition of goods and services during the first, second and third quarters of 2021 did not have any impact on the “Aggregate cash flows” of the TIM Group’s statements of cash flows and, in particular, on the “Cash flows from (used in) operating activities”.

TIM S.p.A. - SEPARATE INCOME STATEMENTS

(million euros)

	2021 (a)	2020 (b)	Change (a-b) amount	%
Revenues	12,397	12,030	367	3.1
Other income	322	189	133	70.4
Total operating revenues and other income	12,719	12,219	500	4.1
Acquisition of goods and services	(6,759)	(4,611)	(2,148)	(46.6)
Employee benefits expenses	(2,453)	(2,193)	(260)	(11.9)
Other operating expenses	(1,179)	(605)	(574)	(94.9)
Change in inventories	21	(11)	32	—
Internally generated assets	288	381	(93)	(24.4)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,637	5,180	(2,543)	(49.1)
Depreciation and amortization	(2,996)	(3,582)	586	16.4
Gains (losses) on disposals of non-current assets	(43)	(14)	(29)	—
Impairment reversals (losses) on non-current assets	(4,120)	(8)	(4,112)	—
Operating profit (loss) (EBIT)	(4,522)	1,576	(6,098)	—
Income (expenses) from investments	834	551	283	51.4
Finance income	1,076	1,012	64	6.3
Finance expenses	(1,984)	(1,973)	(11)	(0.6)
Profit (loss) before tax	(4,596)	1,166	(5,762)	—
Income tax expense	(3,718)	5,995	(9,713)	—
Profit (loss) for the year	(8,314)	7,161	(15,475)	—

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)		2021	2020
Profit (loss) for the year	(a)	(8,314)	7,161
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		7	(5)
Income tax effect		—	—
	(b)	7	(5)
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(14)	6
Income tax effect		3	—
	(c)	(11)	6
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)	(4)	1
Other components that will be reclassified subsequently to Separate Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(5)	4
Loss (profit) transferred to the Separate Income Statement		—	—
Income tax effect		1	(1)
	(f)	(4)	3
Hedging instruments:			
Profit (loss) from fair value adjustments		538	(410)
Loss (profit) transferred to the Separate Income Statement		(185)	312
Income tax effect		(84)	23
	(g)	269	(75)
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)	265	(72)
Total other components of the Statement of Comprehensive Income	(k= e+i)	261	(71)
Total comprehensive income (loss) for the year	(a+k)	(8,053)	7,090

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

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	12,961	23,051	(10,090)
Intangible assets with a finite useful life	5,278	5,500	(222)
	18,239	28,551	(10,312)
Tangible assets			
Property, plant and equipment owned	7,223	10,335	(3,112)
Right of use assets	3,320	4,096	(776)
Other non-current assets			
Investments	11,054	7,245	3,809
Non-current financial receivables for lease contract	11	17	(6)
Other non-current financial assets	4,438	2,490	1,948
Miscellaneous receivables and other non-current assets	1,974	1,733	241
Deferred tax assets	3,364	7,337	(3,973)
	20,841	18,822	2,019
Total Non-current assets	(a) 49,623	61,804	(12,181)
Current assets			
Inventories	165	144	21
Trade and miscellaneous receivables and other current assets	3,931	3,464	467
Current income tax receivables	43	39	4
Current financial assets			
<i>Current financial receivables arising from lease contracts</i>	39	44	(5)
<i>Securities other than investments, other financial receivables and other current financial assets</i>	116	110	6
<i>Cash and cash equivalents</i>	3,558	1,766	1,792
	3,713	1,920	1,793
Total Current assets	(b) 7,852	5,567	2,285
Total Assets	(a+b) 57,475	67,371	(9,896)

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Share capital issued	11,677	11,677	—
Less: treasury shares	(63)	(19)	(44)
Share capital	11,614	11,658	(44)
Additional paid-in capital	2,133	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	2,817	11,217	(8,400)
Total Equity (c)	16,564	25,008	(8,444)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	21,877	24,440	(2,563)
Non-current financial liabilities for lease contracts	2,743	3,506	(763)
Employee benefits	641	676	(35)
Deferred tax liabilities	—	—	—
Provisions	633	618	15
Miscellaneous payables and other non-current liabilities	1,196	3,477	(2,281)
Total Non-current liabilities (d)	27,090	32,717	(5,627)
Current liabilities			
Current financial liabilities for financing contracts and others	5,045	3,342	1,703
Current financial liabilities for lease contracts	434	463	(29)
Trade and miscellaneous payables and other current liabilities	8,111	5,610	2,501
Current income tax payables	231	231	—
Total Current Liabilities (e)	13,821	9,646	4,175
Total Liabilities (f=d+e)	40,911	42,363	(1,452)
Total Equity and Liabilities (c+f)	57,475	67,371	(9,896)

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

(million euros)	2021	2020
Cash flows from operating activities:		
Profit (loss) for the year	(8,314)	7,161
Adjustments for:		
Depreciation and amortization	2,996	3,582
Impairment losses (reversals) on non-current assets (including investments)	4,125	43
Net change in deferred tax assets and liabilities	3,843	(6,433)
Losses (gains) realized on disposals of non-current assets (including investments)	35	(212)
Change in employee benefits	(83)	(611)
Change in inventories	(21)	12
Change in trade receivables and net amounts due from customers on construction contracts	(261)	217
Change in trade payables	518	(23)
Net change in income tax receivables/payables	(236)	694
Net change in miscellaneous receivables/payables and other assets/liabilities	(227)	56
Cash flows from (used in) operating activities	(a) 2,375	4,486
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(2,201)	(2,285)
Capital grants received	3	24
Acquisition of control of companies or other businesses, net of cash acquired	4	51
Acquisitions/disposals of other investments	(130)	(101)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	1,153	(62)
Proceeds from sale of investments in subsidiaries	—	—
Proceeds from sale/repayments of intangible, tangible and other non-current assets	53	1,822
Cash flows from (used in) investing activities	(b) (1,118)	(551)
Cash flows from financing activities:		
Change in current financial liabilities and other	(182)	(732)
Proceeds from non-current financial liabilities (including current portion)	2,100	1,022
Repayments of non-current financial liabilities (including current portion)	(2,600)	(2,809)
Changes in hedging and non-hedging derivatives	103	93
Share capital proceeds/reimbursements	—	8
Dividends paid	(318)	(317)
Changes in ownership interests in subsidiaries	1,759	—
Cash flows from (used in) financing activities	(c) 862	(2,735)
Aggregate cash flows	(d=a+b+c) 2,119	1,200
Net cash and cash equivalents at beginning of the year	(e) 1,245	45
Net cash and cash equivalents at end of the year	(f=d+e) 3,364	1,245

Purchases of intangible, tangible and rights of use assets

(million euros)	2021	2020
Purchase of intangible assets	(1,055)	(959)
Purchase of tangible assets	(1,167)	(1,468)
Purchase of right of use assets	(325)	(947)
Total purchase of intangible, tangible and right of use assets on an accrual basis	(2,547)	(3,374)
Change in payables arising from purchase of intangible, tangible and right of use assets	346	1,089
Total purchases of intangible, tangible and rights of use assets on a cash basis	(2,201)	(2,285)

Additional Cash Flow information

(million euros)	2021	2020
Income taxes (paid) received	(206)	249
Interest expense paid	(1,296)	(1,389)
Interest income received	504	465
Dividends received	780	331

Analysis of Net Cash and Cash Equivalents

(million euros)	2021	2020
Net cash and cash equivalents at the beginning of the year:		
Cash and cash equivalents	1,765	829
Bank overdrafts repayable on demand	(520)	(784)
	1,245	45
Net cash and cash equivalents at the end of the year:		
Cash and cash equivalents	3,558	1,765
Bank overdrafts repayable on demand	(194)	(520)
	3,364	1,245

TIM S.p.A. - NET FINANCIAL DEBT

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	12,506	14,506	(2,000)
Amounts due to banks, other financial payables and liabilities	9,371	9,934	(563)
Financial lease liabilities	2,743	3,506	(763)
	24,620	27,946	(3,326)
Current financial liabilities (1)			
Bonds	3,384	864	2,520
Amounts due to banks, other financial payables and liabilities	1,661	2,478	(817)
Financial lease liabilities	434	463	(29)
	5,479	3,805	1,674
Total Gross financial debt	30,099	31,751	(1,652)
Non-current financial assets			
Non-current financial receivable for lease contracts	(11)	(17)	6
Financial receivables and other non-current financial assets	(4,438)	(2,490)	(1,948)
	(4,449)	(2,507)	(1,942)
Current financial assets			
Securities other than investments	—	—	—
Current financial receivables arising from lease contracts	(39)	(44)	5
Financial receivables and other current financial assets	(116)	(110)	(6)
Cash and cash equivalents	(3,558)	(1,766)	(1,792)
	(3,713)	(1,920)	(1,793)
Total financial assets	(8,162)	(4,427)	(3,735)
Net financial debt carrying amount	21,937	27,324	(5,387)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(1,325)	(1,541)	216
Adjusted Net Financial Debt	20,612	25,783	(5,171)
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	27,753	28,825	(1,072)
Total adjusted financial assets	(7,141)	(3,042)	(4,099)
<i>(1) of which current portion of medium/long-term debt:</i>			
Bonds	3,384	864	2,520
Amounts due to banks, other financial payables and liabilities	1,045	1,356	(311)
Financial lease liabilities	432	456	(24)

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)	2021	2020
Operating revenues and other income	(3)	(39)
Revenue adjustments of previous years	(5)	(39)
Other income	2	—
Acquisition of goods and services, Change in inventories:	(38)	(58)
Professional expenses, consulting services and other costs	(38)	(58)
Employee benefits expenses	(358)	(69)
Expenses related to corporate reorganization/ restructuring processes	(358)	(69)
Other operating expenses	(735)	(145)
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	(610)	(5)
Sundry expenses	(125)	(140)
Impact on operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(1,134)	(311)
Impairment reversals (losses) on non-current assets	(4,120)	—
Goodwill impairment charges	(4,120)	—
Impairment losses on intangible assets	—	—
Impact on EBIT - Operating profit (loss)	(5,254)	(311)
Other income (expenses) from investments	9	227
Other finance income (expenses)	(1)	(7)
Impact on profit (loss) before tax	(5,246)	(91)
Tax realignment in accordance with Decree Law 104/2020, Art. 110	(3,785)	5,877
Income taxes on non-recurring items	270	45
Impact on profit (loss) for the year	(8,761)	5,831

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 25 million euros. In particular, provisions have been made in relation to the management of receivables (20 million euros) in connection with the anticipated worsening of the expected credit loss of corporate customers, linked to expected developments in the pandemic situation; in addition, provisions have been made for payroll costs (1 million euros) and for supplies and miscellaneous costs (4 million euros), which were necessary to manage the health emergency, primarily for the purchase of personal protective equipment, thermal scanners and environmental hygiene services.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the conventional financial performance measures established by IFRS, the TIM group also presents certain alternative performance measures for a better understanding of its 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.

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

- **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 payments

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

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments(1)
+/-	Share of 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. 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 Report on Operations provides a reconciliation between the “reported figure” and the “organic excluding the non-recurring items” figure.
- **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, 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. The Report on Operations 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 +	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 in external presentations (to analysts and investors); it represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies. In particular, the indicator highlights the change in adjusted net financial debt without considering the impacts of payment of dividends, changes in equity, acquisitions/disposals of equity investments, outlay for the purchase of licenses and frequencies, increases/decreases of finance lease liabilities payable (new lease operations, renewals and/or extensions, cancellations/early extinguishing of leases).

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
-	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	