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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.*

TIM GROUP – FINANCIAL HIGHLIGHTS

(millions of euros)	1st Half	1st Half	% Change	
	2020	2019	organic excluding non-recurring	
	(a)	(b)	(a-b)	
Revenues	7,759	8,994	(13.7)	(9.2)
EBITDA ⁽¹⁾	3,398	4,391	(22.6)	(6.9)
<i>EBITDA Margin</i>	43.8%	48.8%	<i>(5.0)pp</i>	
<i>Organic EBITDA Margin excluding non-recurring</i>	45.3%	44.2%	<i>1.1pp</i>	
EBIT ⁽¹⁾	1,042	1,887	(44.8)	(18.2)
<i>EBIT Margin</i>	13.4%	21.0%	<i>(7.6)pp</i>	
<i>Organic EBIT Margin excluding non-recurring</i>	15.1%	16.8%	<i>(1.7)pp</i>	
Profit (loss) for the period attributable to owners of the Parent	678	551	23.0	
Capital Expenditures & spectrum	1,254	1,481	(15.3)	
	6/30/2020	12/31/2019	Change Amount	
	(a)	(b)	(a-b)	
Adjusted Net Financial Debt ⁽¹⁾	25,971	27,668	(1,697)	

(millions of euros)	2nd Quarter	2nd Quarter	% Change	
	2020	2019	organic excluding non-recurring	
	(a)	(b)	(a-b)	
Revenues	3,795	4,523	(16.1)	(10.1)
EBITDA ⁽¹⁾	1,663	2,445	(32.0)	(6.4)
<i>EBITDA Margin</i>	43.8%	54.1%	<i>(10.3)pp</i>	
<i>Organic EBITDA Margin excluding non-recurring</i>	46.1%	44.3%	<i>1.8pp</i>	
EBIT ⁽¹⁾	509	1,204	(57.7)	(18.2)
<i>EBIT Margin</i>	13.4%	26.6%	<i>(13.2)pp</i>	
<i>Organic EBIT Margin excluding non-recurring</i>	15.9%	17.5%	<i>(1.6)pp</i>	
Profit (loss) for the period attributable to owners of the Parent	118	386	(69.4)	

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

TIM GROUP – RECLASSIFIED STATEMENTS

The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows, as well as the Consolidated Net Financial Debt of the TIM Group, herewith presented, are the same as those included in the Interim Management Report of the Half-year Financial Report at June 30, 2020 and are unaudited.

Such statements, as well as the Consolidated Net Financial Debt, are however consistent with those included in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2020.

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

Furthermore, please note that the limited review work by our independent auditors on the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2020 has not yet been completed.

SEPARATE CONSOLIDATED INCOME STATEMENTS OF THE TIM GROUP

(millions of euros)	1st Half 2020	1st Half 2019 (b)	Change (a-b)	
			amount	%
Revenues	7,759	8,994	(1,235)	(13.7)
Other income	90	766	(676)	(88.3)
Total operating revenues and other income	7,849	9,760	(1,911)	(19.6)
Acquisition of goods and services	(2,840)	(3,198)	358	11.2
Employee benefits expenses	(1,372)	(1,502)	130	8.7
Other operating expenses	(502)	(871)	369	42.4
Change in inventories	6	(74)	80	–
Internally generated assets	257	276	(19)	(6.9)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	3,398	4,391	(993)	(22.6)
Depreciation and amortization	(2,348)	(2,496)	148	5.9
Gains (losses) on disposals of non-current assets	(8)	(8)	–	–
Impairment reversals (losses) on non-current assets	–	–	–	–
Operating profit (loss) (EBIT)	1,042	1,887	(845)	(44.8)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	2	(3)	5	–
Other income (expenses) from investments	448	2	446	–
Finance income	501	580	(79)	(13.6)
Finance expenses	(1,104)	(1,334)	230	17.2
Profit (loss) before tax from continuing operations	889	1,132	(243)	(21.5)
Income tax expense	(166)	(392)	226	57.7
Profit (loss) from continuing operations	723	740	(17)	(2.3)
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–	–
Profit (loss) for the period	723	740	(17)	(2.3)
Attributable to:				
Owners of the Parent	678	551	127	23.0
Non-controlling interests	45	189	(144)	(76.2)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE TIM GROUP

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

(millions of euros)		1st Half 2020	1st Half 2019
Profit (loss) for the period	(a)	723	740
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)	3
Income tax effect		-	-
	(b)	(7)	3
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(3)	(70)
Income tax effect		1	17
	(c)	(2)	(53)
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)	(9)	(50)
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		(3)	22
Loss (profit) transferred to Separate Consolidated Income Statement		-	(3)
Income tax effect		(1)	(1)
	(f)	(4)	18
Hedging instruments:			
Profit (loss) from fair value adjustments		610	99
Loss (profit) transferred to Separate Consolidated Income Statement		(29)	(92)
Income tax effect		(142)	(3)
	(g)	439	4
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(1,443)	87
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		-	-
Income tax effect		-	-
	(h)	(1,443)	87
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		-	-
Loss (profit) transferred to Separate Consolidated Income Statement		-	-
Income tax effect		-	-
	(i)	-	-
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	(k=f+g+h+i)	(1,008)	109
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	(1,017)	59
Total comprehensive income (loss) for the period	(a+m)	(294)	799
Attributable to:			
Owners of the Parent		104	584
Non-controlling interests		(398)	215

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION THE TIM GROUP

(millions of euros)	6/30/2020 (a)	12/31/2019 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	22,870	23,083	(213)
Intangible assets with a finite useful life	6,867	7,667	(800)
	29,737	30,750	(1,013)
Tangible assets			
Property, plant and equipment owned	12,986	14,011	(1,025)
Rights of use assets	5,022	5,494	(472)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	2,976	11	2,965
Other investments	51	52	(1)
Non-current financial receivable for lease contracts	47	51	(4)
Other non-current financial assets	2,922	2,100	822
Miscellaneous receivables and other non-current assets	2,309	2,585	(276)
Deferred tax assets	896	942	(46)
	9,201	5,741	3,460
Total Non-current assets (a)	56,946	55,996	950
Current assets			
Inventories	256	260	(4)
Trade and miscellaneous receivables and other current assets	4,639	4,857	(218)
Current income tax receivables	46	149	(103)
Current financial assets			
<i>Current financial receivables arising from lease contracts</i>	36	58	(22)
<i>Securities other than investments, other financial receivables and other current financial assets</i>	1,007	999	8
<i>Cash and cash equivalents</i>	3,603	3,138	465
	4,646	4,195	451
Current assets sub-total	9,587	9,461	126
Discontinued operations / Non-current assets held for sale			
of a financial nature	-	65	(65)
of a non-financial nature	24	4,582	(4,558)
	24	4,647	(4,623)
Total Current assets (b)	9,611	14,108	(4,497)
Total Assets (a+b)	66,557	70,104	(3,547)

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

(millions of euros)

	6/30/2020 (a)	12/31/2019 (b)	Change (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	20,081	20,280	(199)
Non-controlling interests	1,313	2,346	(1,033)
Total Equity (c)	21,394	22,626	(1,232)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	24,984	25,605	(621)
Non-current financial liabilities for lease contracts	4,203	4,576	(373)
Employee benefits	916	1,182	(266)
Deferred tax liabilities	410	248	162
Provisions	753	725	28
Miscellaneous payables and other non-current liabilities	3,363	3,214	149
Total Non-current liabilities (d)	34,629	35,550	(921)
Current liabilities			
Current financial liabilities for financing contracts and others	3,685	3,182	503
Current financial liabilities for lease contracts	697	639	58
Trade and miscellaneous payables and other current liabilities	6,108	7,218	(1,110)
Current income tax payables	44	84	(40)
Current liabilities sub-total	10,534	11,123	(589)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	-	655	(655)
of a non-financial nature	-	150	(150)
	-	805	(805)
Total Current Liabilities (e)	10,534	11,928	(1,394)
Total Liabilities (f=d+e)	45,163	47,478	(2,315)
Total Equity and Liabilities (c+f)	66,557	70,104	(3,547)

CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TIM GROUP

(millions of euros)

	1st Half 2020	1st Half 2019
Cash flows from operating activities:		
Profit (loss) from continuing operations	723	740
Adjustments for:		
Depreciation and amortization	2,348	2,496
Impairment losses (reversals) on non-current assets (including investments)	22	12
Net change in deferred tax assets and liabilities	87	193
Losses (gains) realized on disposals of non-current assets (including investments)	(439)	6
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(2)	3
Change in provisions for employee benefits	(435)	(214)
Change in inventories	6	73
Change in trade receivables and net amounts due from customers on construction contracts	329	(138)
Change in trade payables	(574)	(327)
Net change in current income tax receivables/payables	68	172
Net change in miscellaneous receivables/payables and other assets/liabilities	1,897	123
Cash flows from (used in) operating activities	(a) 4,030	3,139
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(1,974)	(2,126)
Capital grants received	23	6
Acquisition of control of companies or other businesses, net of cash acquired	(7)	-
Acquisitions/disposals of other investments	(7)	(4)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(20)	131
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	(33)	-
Proceeds from sale/repayments of intangible, tangible and other non-current assets	402	6
Cash flows from (used in) investing activities	(b) (1,616)	(1,987)
Cash flows from financing activities:		
Change in current financial liabilities and other	(646)	(367)
Proceeds from non-current financial liabilities (including current portion)	1,097	3,190
Repayments of non-current financial liabilities (including current portion)	(1,450)	(3,415)
Changes in hedging and non-hedging derivatives	(516)	(256)
Share capital proceeds/reimbursements (including subsidiaries)	8	5
Dividends paid	(356)	(246)
Changes in ownership interests in consolidated subsidiaries	(1)	-
Cash flows from (used in) financing activities	(c) (1,864)	(1,089)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) -	-
Aggregate cash flows	(e=a+b+c+d) 550	63
Net cash and cash equivalents at beginning of the period	(f) 3,202	1,631
Net foreign exchange differences on net cash and cash equivalents	(g) (150)	5
Net cash and cash equivalents at end of the period	(h=e+f+g) 3,602	1,699

Purchases of intangible, tangible and rights of use assets

(millions of euros)	1st Half 2020	1st Half 2019
Purchase of intangible assets	(474)	(376)
Purchase of tangible assets	(771)	(1,079)
Purchase of rights of use assets	(646)	(318)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(1,891)	(1,773)
Change in payables arising from purchase of intangible, tangible and rights of use assets	(83)	(353)
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,974)	(2,126)

Additional Cash Flow information

(millions of euros)	1st Half 2020	1st Half 2019
Income taxes (paid) received	(27)	(30)
Interest expense paid	(917)	(992)
Interest income received	223	282
Dividends received	256	-

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Half 2020	1st Half 2019
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,138	1,917
Bank overdrafts repayable on demand - from continuing operations	(1)	(286)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	65	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	3,202	1,631
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	3,603	1,700
Bank overdrafts repayable on demand - from continuing operations	(1)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	3,602	1,699

NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	6/30/2020 (a)	12/31/2019 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,249	19,773	(524)
Amounts due to banks, other financial payables and liabilities	5,735	5,832	(97)
Non-current financial liabilities for lease contracts	4,203	4,576	(373)
	29,187	30,181	(994)
Current financial liabilities (*)			
Bonds	1,567	1,958	(391)
Amounts due to banks, other financial payables and liabilities	2,118	1,224	894
Current financial liabilities for lease contracts	697	639	58
	4,382	3,821	561
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	655	(655)
Total Gross financial debt	33,569	34,657	(1,088)
Non-current financial assets			
Securities other than investments	-	-	-
Non-current financial receivable for lease contracts	(47)	(51)	4
Financial receivables and other non-current financial assets	(2,922)	(2,100)	(822)
	(2,969)	(2,151)	(818)
Current financial assets			
Securities other than investments	(876)	(877)	1
Current financial receivables arising from lease contracts	(36)	(58)	22
Financial receivables and other current financial assets	(131)	(122)	(9)
Cash and cash equivalents	(3,603)	(3,138)	(465)
	(4,646)	(4,195)	(451)
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	(65)	65
Total financial assets	(7,615)	(6,411)	(1,204)
Net financial debt carrying amount	25,954	28,246	(2,292)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	17	(578)	595
Adjusted Net Financial Debt	25,971	27,668	(1,697)
Breakdown as follows:			
Total adjusted gross financial debt	31,544	32,782	(1,238)
Total adjusted financial assets	(5,573)	(5,114)	(459)
(*) of which current portion of medium/long-term debt:			
Bonds	1,567	1,958	(391)
Amounts due to banks, other financial payables and liabilities	753	446	307
Current financial liabilities for lease contracts	697	639	58

CHANGE IN ADJUSTED NET FINANCIAL DEBT OF THE TIM GROUP

(millions of euros)	1st Half 2020 (a)	1st Half 2019 (b)	Change (a-b)
EBITDA	3,398	4,391	(993)
Capital expenditures on an accrual basis	(1,254)	(1,481)	227
Change in net operating working capital:	(53)	(1,146)	1,093
<i>Change in inventories</i>	6	73	(67)
<i>Change in trade receivables and net amounts due from customers on construction contracts</i>	329	(138)	467
<i>Change in trade payables</i>	(1,293)	(973)	(320)
<i>Other changes in operating receivables/payables</i>	905	(108)	1,013
Change in provisions for employee benefits	(435)	(214)	(221)
Change in operating provisions and Other changes	(111)	269	(380)
Net operating free cash flow	1,545	1,819	(274)
<i>% of Revenues</i>	<i>19.9</i>	<i>20.2</i>	<i>(0.3) pp</i>
Sale of investments and other disposals flow	1,018	7	1,011
Share capital increases/reimbursements, including incidental expenses	8	5	3
Financial investments	(20)	(4)	(16)
Dividends payment	(356)	(246)	(110)
Increases in lease contracts	(637)	(292)	(345)
Finance expenses, income taxes and other net non-operating requirements flow	139	(794)	933
Impact of the application of IFRS 16 at 1/1/2019	-	(3,553)	3,553
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,697	(3,058)	4,755
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	-	-	-
Reduction/(Increase) in adjusted net financial debt	1,697	(3,058)	4,755

Equity Free Cash Flow

(millions of euros)	1st Half 2020	1st Half 2019	Change
NET OPERATING FREE CASH FLOW	1,545	1,819	(274)
Financial management	(604)	(707)	103
Cash taxes and other	37	(36)	73
EQUITY FREE CASH FLOW	978	1,076	(98)

INFORMATION BY OPERATING SEGMENTS OF THE TIM GROUP

DOMESTIC

(millions of euros)	1st Half	1st Half	Change		
	2020	2019	amount	%	% organic excluding non-recurring
Revenues	6,259	7,069	(810)	(11.5)	(10.7)
EBITDA	2,684	2,929	(245)	(8.4)	(9.5)
EBITDA margin	42.9	41.4		1.5 pp	0.6 pp
EBIT	833	1,029	(196)	(19.0)	(22.0)
EBIT margin	13.3	14.6		(1.3) pp	(2.2) pp
Headcount at period-end (number) (*)	45,473	(*) 45,496	(23)	(0.1)	

(*) Includes employees with temp work contracts: 7 units at June 31, 2020 (5 units at December 31, 2019).

(*) Headcount at December 31, 2019.

Fixed

	6/30/2020	12/31/2019	6/30/2019
Physical accesses of TIM Retail (thousands)	8,921	9,166	9,599
of which NGN ⁽¹⁾	4,008	3,670	3,498
Physical accesses of TIM Wholesale (thousands)	8,083	8,051	8,079
of which NGN	3,862	3,309	2,869
Active Broadband accesses of TIM Retail (thousands)	7,523	7,592	7,414
Consumer ARPU (€/month) ⁽²⁾	33.6	34.9	35.7
Broadband ARPU (€/month) ⁽³⁾	25.5	27.7	29.3

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

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

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

Mobile

	6/30/2020	12/31/2019	6/30/2019
Lines at period end (thousands)	30,502	30,895	31,662
of which Human	20,155	21,003	21,956
Churn rate (%) ⁽⁴⁾	9.2	20.4	9.5
Broadband users (thousands) ⁽⁵⁾	12,875	12,823	13,124
Reported ARPU (€/month) ⁽⁶⁾	8.3	8.7	8.7
Human ARPU (€/month) ⁽⁷⁾	12.3	12.6	12.5

(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.

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

(millions of euros)	1st Half 2020	1st Half 2019	Change		
			amount	%	% organic excluding non- recurring
Revenues	6,259	7,069	(810)	(11.5)	(10.7)
Consumer	2,905	3,345	(440)	(13.1)	(12.9)
Business	1,979	2,311	(332)	(14.4)	(13.2)
Wholesale National Market	936	919	17	1.9	1.9
Wholesale International Market	445	469	(24)	(5.1)	(5.7)
Other	(6)	25	(31)		

BRAZIL

	(millions of euros)		(millions of Brazilian reais)		Change		
	1st Half 2020	1st Half 2019	1st Half 2020	1st Half 2019	amount	%	% organic excluding non- recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,517	1,946	8,202	8,454	(252)	(3.0)	(3.0)
EBITDA	718	1,467	3,883	6,370	(2,487)	(39.0)	4.4
EBITDA margin	47.3	75.3	47.3	75.3		(28.0) pp	3.3 pp
EBIT	212	862	1,144	3,747	(2,603)	(69.5)	4.3
EBIT margin	13.9	44.3	13.9	44.3		(30.4) pp	0.9 pp
Headcount at period-end (number)			9,596	(*)9,689	(93)	(1.0)	

(*) Headcount at December 31, 2019.

HEADCOUNT OF THE TIM GROUP

Average salaried workforce

(equivalent number)	1st Half 2020	Year 2019	1st Half 2019	Change
	(a)	(b)	(c)	(a-c)
Average salaried workforce – Italy	39,501	42,630	43,145	(3,644)
Average salaried workforce – Outside Italy	8,927	9,287	9,198	(271)
Total average salaried workforce ⁽¹⁾	48,428	51,917	52,343	(3,915)

(1) Includes employees with temp work contracts: 5 average employees in Italy in the 1st Half 2020; 5 average employees in Italy in the year 2019; 3.5 average employees in Italy in the 1st Half 2019.

Headcount at period end

(number)	6/30/2020	12/31/2019	6/30/2019	Change
	(a)	(b)	(c)	(a-b)
Headcount – Italy	45,236	45,266	47,665	(30)
Headcount – Outside Italy	9,847	9,932	9,651	(85)
Total headcount at period end ⁽¹⁾	55,083	55,198	57,316	(115)

(1) Includes employees with temp work contracts: 7 employees in Italy at 6/30/2020; 5 employees in Italy at 12/31/2019; 6 employees in Italy at 6/30/2019.

Headcount at period end – Breakdown by Business Unit

(number)	6/30/2020	12/31/2019	6/30/2019	Change
	(a)	(b)	(c)	(a-b)
Domestic	45,473	45,496	47,891	(23)
Brasil	9,596	9,689	9,411	(93)
Other Operations	14	13	14	1
Total	55,083	55,198	57,316	(115)

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

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

(millions of euros)	1st Half 2020	1st Half 2019
Revenues:		
Revenues adjustments	(37)	(15)
Other income:		
Brazil Business Unit Tax recovery effect	-	662
Absorption of other operational provisions	1	
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(26)	(6)
Employee benefits expenses:		
Expenses related to corporate restructuring/rationalization and other	(36)	(33)
Other operating expenses:		
Sundry expenses and other provisions	(39)	(276)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(137)	332
Impact on EBIT - Operating profit (loss)	(137)	332
Other income (expenses) from investments:		
Net gain INWIT transactions	448	
Net gains from the disposal of investments in associates and joint ventures accounted for the equity method	-	1
Finance expenses:		
Miscellaneous finance expenses	(2)	(31)
Impact on profit (loss) before tax from continuing operations	309	302
Income taxes on non-recurring items	31	(119)
Impact on profit (loss) for the period	340	183

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

The following table shows the committed credit lines available at June 30, 2020:

(billions of euros)	6/30/2020		12/31/2019	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	-	5.0	-
Bridge to Bond Facility – maturing May 2021	1.7	-	-	-
Total	6.7	-	5.0	-

At June 30, 2020, TIM had bilateral Term Loans for 1,700 million euros with various banking counterparties and overdraft facilities for 490 million euros, drawn down for the full amount.

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

Bonds

The change in bonds in the first half of 2020 was as follows:

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

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

Regarding Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at June 30, 2020 was 209 million euros (nominal value), up by 4 million euros compared to December 31, 2019 (205 million euros).

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of June 30, 2020 issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) totals 1,274 million euros. It breaks down as follows:

- 163 million euros (equivalent to 1,000 million BRL), due July 15, 2020;
- 547.5 million euros, due September 25, 2020;
- 563.6 million euros, due January 25, 2021.

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group⁽¹⁾; furthermore, the repayment of the bonds and the payment of 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 USA), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), at June 30, 2020 the nominal total of outstanding loans was 850 million euros, none of it backed by a bank guarantee.

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

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

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% of the Group's total financial debt.
- "Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses for the 2015 direct risk loan, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;
- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan contract or choose an alternative solution.

The loan agreements of TIM S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.

The loan agreements contain the usual other types of covenants, including the commitment not to pledge the Company's assets as collateral for loans (negative pledge) and the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content are also found in export credit loan agreements.

In the Loan Agreements and the Bonds, TIM is required to provide notification of change of control. Identification of the occurrence of a change of control and the applicable consequences – including, at the discretion of the investors, the establishment of guarantees or the early repayment of the amount paid in cash or as shares and the cancellation of the commitment in the absence of agreements to the contrary – are specifically covered in the individual agreements.

In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or transfers of business, involving entities outside the Group. Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.

In the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

Finally, as at June 30, 2020, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

ALTERNATIVE PERFORMANCE MEASURES

In this press release, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

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

- **EBITDA adjusted After Lease (“EBITDA-AL”)**, calculated by adjusting the Organic EBITDA, net of the non-recurring items, of the amounts related to the accounting treatment of finance lease contracts according to IFRS 16 (applied starting from 2019). This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level), in addition to EBIT;
- **Adjusted net financial debt After Lease**, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of finance lease contracts according to IFRS 16 (applied starting from 2019). TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;
- **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
-	Capital portion of lease payments

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

The other alternative performance measures used are described below:

- **EBITDA**: this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level), in addition to **EBIT**. These measures are calculated as follows:

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

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

margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.

- **Net Financial Debt:** TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. This press release includes a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed “Net financial debt carrying amount”), the TIM Group reports a measure called “Adjusted net financial debt”, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Net financial debt is calculated as follows:

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

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

The Equity Free Cash Flow measure is calculated as follows:

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