HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2020

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

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INTERIM MANAGEMENT REPORT AT JUNE 30, 2020

BOARD OF DIRECTORS

Chairman	Salvatore Rossi (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Alfredo Altavilla (independent)
	Paola Bonomo (independent)
	Franck Cadoret
	Giuseppina Capaldo (independent)
	Maria Elena Cappello (independent)
	Massimo Ferrari (independent)
	Paola Giannotti de Ponti (independent)
	Marella Moretti (independent)
	Lucia Morselli (independent)
	Dante Roscini (Lead Independent Director)
	Arnaud Roy de Puyfontaine
	Rocco Sabelli (independent)
	Michele Valensise (independent)
Secretary to the Board	Agostino Nuzzolo

BOARD OF STATUTORY AUDITORS

Chairman	Roberto Capone
Acting Auditors	Giulia De Martino
	Anna Doro
	Marco Fazzini
	Francesco Schiavone Panni
Alternate Auditors	Andrea Balelli
	Antonia Coppola
	Franco Dalla Sega
	Laura Fiordelisi

Independent Auditors	EY S.p.A.

HIGHLIGHTS

Cash flow and net financial debt reduction both accelerated in the second quarter. This result is partly due to the successful outcome of the sale of TIM's stake in INWIT, but above all to the important cash flow generated by the ordinary business. In fact, both the rationalisation of the product portfolio and a more disciplined commercial conduct which, while leading to a drop in revenues in the short term, produces an increase in cash generation and customer satisfaction, have continued. During the first half, the Customer Satisfaction Index improved by 3% for mobile, 2% for fixed and 1% for Wholesale.

Even during the most intense period of the health emergency, TIM remained fully operational and continued to provide its services, ensuring that the health of its employees was protected and investing in increasing the capacity and coverage of national networks.

Financial results were affected by the effects of the closure of stores on product sales and the reduced roaming traffic to and from abroad. Despite a short-term decline, a positive effect on the group's accounts is expected in the medium to long term following the faster adoption of digital services.

Net financial debt as of 30 June has fallen by 1,697 million euros from the end of 2019, standing at **25,971 million euros, (i.e. 21,095 million euros on an after lease basis). Equity free cash flow** contributed **978** million euros and the remainder is attributable to the partial monetisation of the investment in INWIT which more than offset the payment of 316 million euros in dividends on TIM S.p.A. ordinary and savings shares.

Significant progress was recorded in the implementation **of strategic initiatives:**

- **Fibre network:** The Board of Directors of August 4, 2020 has favourably acknowledged the contents of the project for the separation of the secondary network (including the 80% held by TIM in Flash Fiber) and the partnership with KKR Infrastructure and Fastweb (FiberCop) contained in the binding offer received from KKR Infrastructure.
  The offer of 1.8 billion euros received from KKR Infrastructure is for the purchase of 37.5% of FiberCop on the basis of an enterprise value of approximately 7.7 billion euros (equity value 4.7 billion euros), while Fastweb will have 4.5% of the share capital of FiberCop in exchange for the transfer of the 20% currently held in Flash Fiber.

- **Sale of mobile towers:** agreement finalised with Ardian Infrastructure for the acquisition of a minority stake in the holding company which owns TIM's stake in INWIT and which will remain under the full control of TIM. The transaction is based on a valuation of the INWIT share of 9.47 euros (ex dividend), netting TIM approximately 1.6 billion euros.

- **Partnership for Cloud services:** the partnership with Google Cloud is operational and major clients were won in the first half of the year for the offer of joint services to Italian businesses. TIM and Google Cloud, in partnership with Intesa Sanpaolo, also launched a suite of services to offer advanced technological solutions to facilitate the operations of small and medium-sized enterprises in the lockdown period.

- In **Brazil,** TIM S.A., together with Vivo and Claro, submitted a binding offer of 16.5 billion Reais (2.7 billion euros) for the mobile business of the Oi Group. If accepted, the offer will make the consortium a "stalking horse" in the sale process that will follow during the year.

PERFORMANCE IN THE SECOND QUARTER OF 2020

In the second quarter of 2020, Group's **service revenues** were **3.6** billion euros (-8.2% YoY), while total revenues came to 3.8 billion euros (-10.1% YoY), impacted by the reduced footfall in shops during the lockdown and by the lower tourist flows to and from Italy, which led to lower volumes of roaming traffic.

In Italy, performance in the **mobile** sector is improving with a growth in "calling" lines (active in the last month) compared to the previous quarter (+87,000). This is mainly due to a continuation in the market rationality recovery trend observed in previous quarters and to a greater intensity of retention and loyalty actions towards mobile and converging customers, as well as a slowdown in commercial operations in the lockdown period.

The total number of TIM mobile lines reached 30.5 million at the end of June, in line with the previous quarter, also thanks to an improved disconnection rate (churn 4.0%, -1.3 percentage points compared to the first quarter of 2020).

In the **fixed** sector, the lockdown had an accelerating effect, speeding up the migration of the customer base towards ultrabroadband, also assisted by the greater availability of lines in white areas, in which TIM activated 7,000 cabinets, expanding FTTx access to 1.2 million new properties occupied by families and businesses. In total, 532,000 new ultrabroadband lines were activated, including 219,000 retail ones, almost twice the number in the first quarter (+84%). The total number of Retail and Wholesale **ultrabroadband lines** is therefore **7.9 million** units, up by 24% YoY and 7% on the previous quarter.

In the Business segment, the growth of ICT revenues continues, particularly thanks to the positive contribution of the partnership with Google Cloud and the successful outcome of important negotiations with major customers.

In the **Wholesale Domestic** sector, service revenues increased by 1.3%, benefiting from the new customers gained (positive net balance of 80,000 lines) as well as the continuous migration of customers to ultrabroadband (313,000 net customers gained compared to 240,000 in the first quarter).

In Brazil, the effects of the lockdown led to a 3.4% fall YoY in services revenues. The efficiencies achieved completely absorbed the fall, allowing organic EBITDA to grow by 1.0% YoY.

Group **organic EBITDA** was 1.8 billion euros (margin at 46.1%, +1.8 pp YoY). The decrease (-6.4% YoY) was smaller than the 7.5% YoY drop recorded in the first quarter of 2020, thanks to effective cost containment both in Italy (-13% YoY) and in Brazil, which partially offset the fall in revenues at domestic level and more than offset it in Brazil.

The Domestic Business Unit organic EBITDA was 1.4 billion euros, -7.8% YoY compared to a drop of 11.1% in the first quarter, also thanks to the strong drive to adopt digital services.

EBITDA After Lease was 1.6 billion euros (-6.4% YoY): 1.3 billion euros for the Domestic Business Unit (-7.5% YoY) and 0.3 billion euros for TIM Brasil (-0.5% YoY).

At Group level, investments in the second quarter stood at 655 million euros, down 18.8% YoY, thanks to the efficiencies achieved and the temporary slowdown due to the lockdown.

The **reported net result** attributable to the shareholders of the parent company stood at 118 million euros in the quarter and 678 million euros in the half year (+23% YoY).

Financial highlights of the first half of the year

(millions of euros)		1st Half 2020 (a)	1st Half 2019 (b)	% Change (a-b)	organic excluding non-recurring
Revenues		**7,759**	**8,994**	(13.7)	(9.2)
EBITDA	(1)	**3,398**	**4,391**	(22.6)	(6.9)
EBITDA Margin		*43.8%*	*48.8%*	*(5.0) pp*	
Organic EBITDA Margin excluding non-recurring		*45.3%*	*44.2%*		*1.1 pp*
EBIT	(1)	**1,042**	**1,887**	(44.8)	(18.2)
EBIT Margin		*13.4%*	*21.0%*	*(7.6) pp*	
Organic EBIT Margin excluding non-recurring		*15.1%*	*16.8%*		*(1.7) pp*
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 (a)	**12/31/2019 (b)**	**Change Amount (a-b)**	
Adjusted Net Financial Debt	(1)	**25,971**	**27,668**	(1,697)	

Financial highlights of the second quarter

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

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

TIM'S INITIATIVES TO DEAL WITH THE COVID-19 EMERGENCY

The COVID-19 crisis has revealed just how essential connectivity and digital solutions are in emergency situations to deal with issues such as the physical separation of people, interruption of services, mobility restrictions and the interruption of school and educational services in general. Forced to physically separate by the virus, Italians have discovered that digital connectivity is the key to transforming their way of working, limiting travel to a minimum and complying with the most stringent health and safety standards.

Aware of its leading role in the digitalization of the country, TIM has put in place a series of initiatives to help citizens and institutions during the lockdown and in the progressive reopening phases, with a wide-ranging plan with activities aimed at our staff, institutions, customers and their employees.

The main initiatives are as follows:

- to **accelerate the Italy's digitalization**, new cabinets were switched on allowing 1.2 million new families to access UltraBroadBand connectivity: 7,000 new FTTC cabinets switched on in 1,600 municipalities. Furthermore, with a series of technical activities, which on some routes led to an increase in bandwidth of up to 37%, it was possible to cope with the significant increase in traffic during the period (peaks of up to 89% on the fixed network and up to 44% on the mobile network and an average of + 55% of the volume of fixed data traffic), while ensuring the quality of service remained unchanged;
- Fondazione TIM **donated 1 million euros** to hospitals and medical research institutions, also promoting fundraising among TIM employees;
- over **3,000 devices and SIM cards** were distributed to hospitals involved in the emergency and prisons to facilitate contact with family members and generally encourage communication with the outside; in collaboration with the National Deaf Association over 1,000 devices were supplied for deaf people and equipped with apps to facilitate the use of LIS (Sign Language) and for the real-time translation of messages from voice to text and vice versa;
- in participating in the "Torino City Love" campaign, TIM provided free of charge **innovative digital solutions** to the public to support healthcare, families and the elderly;
- to counteract the **negative lockdown effects** on people, toll-free psychological support numbers have been set up for the public, a help desk for doctors and a special number for donations to the Italian Red Cross;
- with "**Operation Risorgimento Digitale**" **the first large free online school for the spread of digital skills in Italy was established.** Operation Risorgimento Digitale is a large alliance with TIM leading, with companies such as Google, Cisco, NTT Data, Treccani, Confindustria Digitale, Censis, State Police, Telefono Azzurro and many others. To immediately adapt to the needs created by the emergency, the activity was consolidated into distance teaching cycles used by over 700,000 members of the public;
- to ensure **continuity of school education** TIM joined the MIUR #LaScuolaContinua project and together with Cisco, Google, IBM, and WeSchool made platforms and information support available to guarantee distance teaching;
- the initiatives **for people, families and companies** have all been aimed at offering free **connectivity and providing services, such as** remote-working, throughout the emergency period. In this context, over 435,000 offers were activated for consumer customers and approximately 165,000 for business customers;
- in dealing with the exceptional nature of these times, initiatives were also put in place to **support the institutions** involved in the crisis such as the Civil Protection, the Carabinieri Corps, Confindustria, the S. Raffaele Hospital, the ASST of Mantua, who have been provided with physical spaces equipped to manage operations in the area, special training programs, platforms, toll-free numbers and other services to manage emergencies;
- competitions **for healthcare innovation** have been promoted through partnerships with public institutions and other private foundations, such as Innova for Italy, #EUvsVirus Hackathon and the COVID-19 Challenge.
- finally, about 36,000 of our employees were involved in the **Remote Working** program, in line with government provisions on the management of working spaces.

NON-FINANCIAL PERFORMANCE

During the first half of 2020, the social commitments, included in the 2020–2022 Strategic Plan, were consolidated with the initiatives carried out to counter the COVID-19 emergency that affected Italy and all the other countries in which we operate. Today more than ever, TIM's infrastructures and the work of its people have been confirmed as fundamental in overcoming the difficulties caused by physical separation and are increasingly accelerators for achieving the objectives of the 2030 Agenda.

Sustainability governance was also further strengthened by setting up a committee at Group level, presided over by the CEO and composed of top management, with the aim of giving focus to the Group's sustainability strategies, setting out the goals and monitoring whether targets are reached, to support the Sustainability and Strategies Committee; such committee has the task, among other things, of speeding up implementation of the social, environmental and governance (ESG) commitments included in the 2020–2022 Strategic Plan.

Over the period TIM maintained its low-risk ESG rating from Sustainalytics and its place in the Dow Jones Sustainability Index Europe and other important sustainability ratings.

INTRODUCTION

*The Half-Year Financial Report at June 30, 2020 of the TIM Group was prepared in compliance with Article 154–ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance – TUF) as amended, and in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the recognition and measurement criteria of the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union ("**IFRS**"), and with rulings issued under Article 9, Legislative Decree no. 38/2005.*
The Half-Year Financial Report includes:

- *the Interim Report on Operations;*
- *the Half-Year Condensed Consolidated Financial Statements;*
- *certification of the Half-Year Condensed Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation 11971 dated May 14, 1999, as amended.*

the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 have undergone a limited scope audit.

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

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt; Equity Free Cash Flow. Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance indicators:

- ***EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16 (applied starting from 2019);***
- ***Adjusted net financial debt After Lease, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of lease contracts according to IFRS 16 (applied starting from 2019);***
- ***Equity Free Cash Flow After Lease, calculated by excluding the requirements relating to leasing payments from the Equity Free Cash Flow.***

Lastly, the section entitled "Business Outlook for the year 2020" contains forward-looking statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of this Half-Year Financial Report are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control. Please refer to the "Main risks and uncertainties" section for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION OF THE TIM GROUP

The main changes in the scope of consolidation during the first half of 2020, were the following:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit)*: on March 31, 2020 the merger by absorption of Vodafone Towers S.r.l. with INWIT S.p.A. was completed. The transaction, which enabled the creation of Italy's leading tower operator, diluted the TIM Group's stake in the capital of INWIT from 60% to 37.5%; therefore, as of March 31, 2020, INWIT S.p.A. is accounted for using the equity method. Starting from the Consolidated Financial Statements as at December 31, 2019 and until the completion of the aforementioned merger INWIT S.p.A. was presented as an "Asset held for sale"; therefore, TIM Group consolidated economic data and cash flows for the first half of 2020 include data of INWIT S.p.a. for the first quarter of 2020, net of amortization and depreciation for the period, as required by IFRS 5; Moreover, on April 23, 2020, shares equal to 4.3% of the share capital of INWIT were sold in an accelerated book-building procedure reserved for institutional investors. Consequently, TIM's investment in INWIT at June 30, 2020, is equal to 33.2%;
- *Noovle S.r.l. (Business Unit Domestic)*: on May 21, 2020, TIM S.p.A. finalized the acquisition of 100% of the quotas in Noovle S.r.l., an Italian ICT consulting and system integration company, specialized in supplying cloud solutions and projects and one of Google Cloud's leading partners on the Italian market. With effect from this date, Noovle S.r.l. and its subsidiaries have been consolidated line-by-line.

In the first half of 2019, there were no significant changes in the scope of consolidation.

CONSOLIDATED OPERATING PERFORMANCE

REVENUES

Total TIM Group revenues for the first half of 2020, amounted to **7,759 million euros**, down 13.7% compared to the first half of 2019 (8,994 million euros); organic change in total revenues was -9.2%.

The breakdown of total revenues for the first half of 2020, by operating segment in comparison with the first half of 2019 is as follows:

(millions of euros)	1st Half 2020		1st Half 2019		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	6,259	80.7	7,069	78.6	(810)	(11.5)	(10.7)
Brazil	1,517	19.6	1,946	21.6	(429)	(22.0)	(3.0)
Other Operations	–	–	–	–	–		
Adjustments and eliminations	(17)	(0.3)	(21)	(0.2)	4		
Consolidated Total	**7,759**	**100.0**	**8,994**	**100.0**	**(1,235)**	**(13.7)**	**(9.2)**

The organic change in the Group's consolidated revenues for the first half of 2020 is calculated by excluding the negative effect of exchange rate changes (1) of -380 million euros, the changes in the scope of consolidation (2) for -39 million euros as well as non-recurring components. The adjustments of non-recurring revenues in the first half of 2020 (-37 million euros) are connected to the commercial initiatives of TIM S.p.A. to support customers to deal with the COVID-19 emergency, while the first half of 2019 was affected by non-recurring charges of 15 million euros relating to adjustments to revenues from previous years.

As indicated in the section “Main changes in the scope of consolidation of the TIM Group”, the company Noovle S.r.l. and its subsidiaries have been consolidated line-by-line since the date when the TIM Group acquired control (May 21, 2020). If the acquisition of Noovle S.r.l had been completed on January 1, 2020, the Half-Year Condensed Consolidated Financial Statements of the TIM Group would have posted higher revenues for approximately 14 million euros with insignificant effects on the profit (loss) for the period.

EBITDA

EBITDA in the first half of 2020 amounted to **3,398 million euros** (4,391 million euros in the first half of 2019; -22.6%), with an EBITDA margin of 43.8% (48.8% in the first half of 2019; -5.0 percentage points).

The breakdown of EBITDA by operating segment for the first half of 2020, in comparison with the first half of 2019, is shown below, together with the EBITDA margin:

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.40843 for the Brazilian real in the first half of 2020 and 4.34394 in the first half of 2019; for the US dollar, the average exchange rates used were 1.10186 in the first half of 2020 and 1.12977 in the first half of 2019. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

(2) In order to have a uniform comparison, changes in the scope of consolidation also include the effects, from March 31, 2019, of the new Master Service Agreement signed by TIM S.p.A. with INWIT S.p.A. during the first quarter of 2020.

(millions of euros)	1st Half 2020		1st Half 2019		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	2,684	79.0	2,929	66.7	(245)	(8.4)	(9.5)
% of Revenues	*42.9*		*41.4*			*1.5 pp*	*0.6 pp*
Brazil	718	21.1	1,467	33.4	(749)	(51.1)	4.4
% of Revenues	*47.3*		*75.3*			*(28.0) pp*	*3.3 pp*
Other Operations	(5)	(0.1)	(5)	(0.1)	–		
Adjustments and eliminations	*1*	*–*	*–*		*1*		
Consolidated Total	**3,398**	**100.0**	**4,391**	**100.0**	**(993)**	**(22.6)**	**(6.9)**
% of Revenues	*43.8*		*48.8*			*(5.0) pp*	*1.1 pp*

Organic EBITDA – net of the non-recurring items amounted to **3,535 million euros**; the EBITDA margin was 45.3% (3,799 million euros in the first half of 2019, with an EBITDA margin of 44.2%).
In the first half of 2020, the TIM Group recorded non-recurring charges for a total of 137 million euros, of which 69 million euros were attributable to the COVID-19 emergency in Italy. In addition to the impact of TIM S.p.A.'s commercial initiatives to support customers, operating costs relating to the COVID-19 emergency were recorded, including provisions and charges connected with credit management resulting from the deterioration of the macroeconomic framework. The first half of 2020, also includes non-recurring charges connected mainly to corporate reorganization/restructuring processes and provisions for disputes, regulatory fines and potential liabilities related to them.

In the first half of 2019, the TIM Group had recorded net non-recurring income for 332 million euros, attributable to the balance between an income of 662 million euros related to the recognition, in the Brazil Business Unit, of tax receivables following the favorable outcome of tax disputes relative to inclusion of the indirect tax ICMS in the basis for calculating the PIS/COFINS, and non-recurring expenses of the Domestic Business Units and Brazil, for a total of 330 million euros, mainly consisting of provisions for regulatory disputes and potential related liabilities, liabilities with customers and/or suppliers, costs related to company reorganization/restructuring, as well as the aforesaid adjustments to revenues of previous years.

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2020	1st Half 2019	Changes	
			amount	%
EBITDA	**3,398**	**4,391**	**(993)**	**(22.6)**
Foreign currency financial statements translation effect		(289)	289	
Changes in the scope of consolidation		(91)	91	
Non-recurring expenses (Income)	137	(332)	469	
Effect of translating non-recurring Expenses/(Income) in currency		120	(120)	
ORGANIC EBITDA, excluding Non-recurring items	**3,535**	**3,799**	**(264)**	**(6.9)**

EBITDA was particularly impacted by the change in the line items analyzed below:

- **Acquisition of goods and services (2,840 million euros; 3,198 million euros in the first half of 2019):**

(millions of euros)	1st Half 2020	1st Half 2019	Change
Acquisition of goods	480	654	(174)
Revenues due to other TLC operators and costs for telecommunications network access services	617	654	(37)
Commercial and advertising costs	555	685	(130)
Professional and consulting services	107	96	11
Power, maintenance and outsourced services	536	581	(45)
Lease and rental costs	211	218	(7)
Other	334	310	24
Total acquisition of goods and services	**2,840**	**3,198**	**(358)**
% of Revenues	*36.6*	*35.6*	*1.0 pp*

The decrease is mainly attributable to the Domestic Business Unit for approximately 139 million euros and to the Brazil Business Unit for approximately 221 million euros of which approximately 148 million euros is due to the impact of exchange rate dynamics.
With regard to the Domestic Business Unit, the trend is due mainly to a reduction in acquisition of goods, affected by a reduction in acquisitions for resale, linked to the decrease in volumes of mobile terminals sold, in line with the repositioning of current commercial strategies. The reduction was also affected by restrictions related to the COVID-19 emergency, especially in the mobile area.

- **Employee benefits expenses (1,372 million euros; 1,502 million euros in the first half of 2019):**

(millions of euros)	1st Half 2020	1st Half 2019	Change
Employee benefits expenses - Italy	**1,232**	**1,320**	**(88)**
Ordinary employee expenses and costs	1,196	1,302	(106)
Restructuring and other expenses	36	18	18
Employee benefits expenses – Outside Italy	**140**	**182**	**(42)**
Ordinary employee expenses and costs	140	167	(27)
Restructuring and other expenses	-	15	(15)
Total employee benefits expenses	**1,372**	**1,502**	**(130)**
% of Revenues	*17.7*	*16.7*	*1.0 pp*

The net decrease of 130 million euros was mainly driven by:

- the decrease of 106 million euros of ordinary employee expenses in the Italian component, mainly due to the benefits related to the reduction in the average salaried workforce amounting to a total of – 3,914 average employees, (of which -1,205 average employees related to the greater impact on the half year of the hourly reduction of the Expansion Contract currently in force compared to "Solidarity Agreement", which expired in June 2019);
- for 42 million euros, the decrease in the foreign component mainly related to both the impact of the exchange rate change and lower non-recurring charges of the Brazil Business Unit recorded in the first half of 2019.

These decreases were offset by higher corporate restructuring charges in Italy for a total of 18 million euros.

- **Other operating income (90 million euros; 766 million euros in the first half of 2019):**

(millions of euros)	1st Half 2020	1st Half 2019	Change
Late payment fees charged for telephone services	22	31	(9)
Recovery of employee benefit expenses, purchases and services rendered	8	11	(3)
Capital and operating grants	15	15	–
Damages, penalties and recoveries connected with litigation	7	8	(1)
Estimate revisions and other adjustments	25	18	7
Income tax Brazil Business Unit	–	662	(662)
Other	13	21	(8)
Total	**90**	**766**	**(676)**

Other operating income for the first half of 2019 benefited from 662 million euros from the Brazil Business Unit (classified as non-recurring), connected with the recognition of tax credits consequent to the favorable result of the tax disputes connected to the inclusion of the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues, which the company has been pursuing in court since 2006, with requests for reimbursement referring – as is allowed – to the previous five years, and therefore with effect from 2001. The amount included 396 million euros related to the recovery of indirect taxes and 266 million euros for the legal revaluation.

- **Other operating expenses (502 million euros; 871 million euros in the first half of 2019):**

(millions of euros)	1st Half 2020	1st Half 2019	Change
Write-downs and expenses in connection with credit management	256	296	(40)
Provision charges	43	288	(245)
TLC operating fees and charges	104	135	(31)
Indirect duties and taxes	47	74	(27)
Penalties, settlement compensation and administrative fines	14	33	(19)
Association dues and fees, donations, scholarships and traineeships	7	6	1
Other	31	39	(8)
Total	**502**	**871**	**(369)**

Other operating expenses in the first half of 2020 include a non-recurring component of 39 million euros relating to provisions and charges of the Domestic Business Unit related to credit management in relation to the COVID-19 emergency (21 million euros) as well as disputes and regulatory fines and potential liabilities related to them. In relation to credit management, it is noted that the macroeconomic scenario with a sharp reduction in GDP caused by the pandemic reduced customer spending power, resulting in an increase in arrears compared to the historical trends recorded before the emergency. Consequently, the provision for bad debt was adjusted according to the expected loss differential.
The non-recurring component of the first half of 2019, amounting to 276 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

Depreciation and amortization

Amounts to 2,348 million euros (2,496 million euros in the first half of 2019) and breaks down as follows:

(millions of euros)	1st Half 2020	1st Half 2019	Change
Amortization of intangible assets with a finite useful life	824	825	(1)
Depreciation of tangible assets	1,171	1,233	(62)
Depreciation of rights of use assets	353	438	(85)
Total	**2,348**	**2,496**	**(148)**

Net impairment losses on non-current assets

This item was equal to zero in the first half of 2020 (zero in the first half of 2019).

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually when preparing the company's separate and consolidated financial statements. Furthermore, if specific events or circumstances occur ("trigger events") that could lead to a presumption that goodwill has suffered a reduction in value, impairment testing is also carried out when preparing interim financial statements.

The COVID-19 health emergency, caused by the spread of the SARS-CoV-2 virus and declared a pandemic by the World Health Organization (WHO) on March 11, 2020, which has led to a consequent global economic crisis, is an external factor potentially indicative of a possible loss of value. Added to this is the fact that, at the end of June 2020, the TIM share market capitalization value was still lower than the consolidated equity value. In light of this evidence, also taking into account the recommendations of ESMA and subsequent warnings expressed by Consob (No. 8/20 of 16/07/2020) in relation to the potential impact of the COVID-19 pandemic, in preparation of the half-year report at June 30, 2020, the company deemed it appropriate to carry out an impairment test on goodwill.

The impairment test did not result in write-downs on the goodwill attributed to the Domestic Cash Generating Unit and the Brazil Cash Generating Unit, confirming the goodwill values recognized in the financial statements in June 2020.

Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 of the TIM Group.

EBIT

EBIT for the first half of 2020 was **1,042 million euros** (1,887 million euros in the first half of 2019).

Organic EBIT, net of the non-recurring component, amounted to 1,179 million euros (1,441 million euros for the first half of 2019), with an EBIT margin of 15.1% (16.8% for the first half of 2019).

Organic EBIT, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2020	1st Half 2019	Changes amount	Changes %
EBIT	**1,042**	**1,887**	**(845)**	**(44.8)**
Foreign currency financial statements translation effect		(170)	170	
Changes in the scope of consolidation		(64)	64	
Non-recurring expenses (Income)	137	(332)	469	
Effect of translating non-recurring Expenses/(Income) in currency		120	(120)	
ORGANIC EBIT, excluding Non-recurring items	**1,179**	**1,441**	**(262)**	**(18.2)**

Exchange rate fluctuations mainly related to the Brazil Business Unit.

Other income (expenses) from investments

Other income (expenses) from investments amounted to 448 million euros and include:

- 441 million euros relative to the net capital gain recognized following the dilution of the TIM Group investment in INWIT S.p.A. capital from 60% to 37.5%, following the merger of INWIT with Vodafone Towers;
- 7 million euros for the capital gain connected to the sale, on April 23, 2020, of 4.3% held by TIM S.p.A. in INWIT.

Finance income (expenses), net

Finance income (expenses) showed an expense of 603 million euros (expense of 754 million euros in the first half of 2019): the improvement was mainly driven by lower finance expenses, connected to the reduction in the Group's average debt exposure and a drop in interest rates.

Income tax expense

This item amounted to 166 million euros, up by 226 million euros on the first half of 2019 (392 million euros). In the first half of 2019, the item included 225 million euros related to the recognition of deferred taxation relating to non-recurring income of the Brazil Business Unit.

PROFIT (LOSS) FOR THE PERIOD

This item breaks down as follows:

(millions of euros)	1st Half 2020	1st Half 2019
Profit (loss) for the period	**723**	**740**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	678	551
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–
Profit (loss) for the period attributable to owners of the Parent	**678**	**551**
Non-controlling interests:		
Profit (loss) from continuing operations	45	189
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–
Profit (loss) for the period attributable to Non-controlling interests	**45**	**189**

Net profit for the first half of 2020 attributable to Owners of the Parent amounted to 678 million euros (551 million euros in the first half of 2019).

FINANCIAL AND OPERATING HIGHLIGHTS OF THE BUSINESS UNITS OF THE TIM GROUP

DOMESTIC

(millions of euros)	1st Half 2020	1st Half 2019	Changes		
			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)
% of Revenues	*42.9*	*41.4*		*1.5 pp*	*0.6 pp*
EBIT	833	1,029	(196)	(19.0)	(22.0)
% of Revenues	*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 employees at June 30, 2020 (5 employees at December 31, 2019)
(*) Headcount at December 31, 2019

Fixed

	6/30/2020	12/31/2019	6/30/2019
Total TIM Retail accesses (thousands)	8,921	9,166	9,599
of which NGN (1)	*4,008*	*3,670*	*3,498*
Total TIM Wholesale accesses (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
Retail 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 that use 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

Domestic Business Unit revenues amounted to 6,259 million euros, down 810 million euros compared to the first half of 2019 (-11.5%) and were affected by a challenging competitive context and, with particular reference to the Mobile market, restrictions related to the COVID-19 emergency. **Organic revenues, net of the non-recurring component,** amounted to 6,296 million euros (-752 million euros compared to the first half of 2019, -10.7%); in particular, revenues for the first half of 2020 were affected by an overall negative impact of 37 million euros referring to adjustments of revenues connected to TIM S.p.A.'s commercial initiatives to support customers in facing the COVID-19 emergency. In the first half of 2019, non-recurring revenues for 15 million euros were recorded, attributable to adjustments to revenues from previous years.

Revenues from stand-alone services amounted to 5,758 million euros (-628 million euros compared to the first half of 2019, equal to -9.8%) and were affected by the impact of the regulatory and competitive context in terms of the reduction of both the customer base and ARPU levels. **Revenues from organic stand-alone services, net of the aforementioned non-recurring component**, amounted to 5,795 million euros (-569 million euros compared to the first half of 2019, – 8.9%).

In detail:

- **revenues from fixed market stand-alone services** amounted to 4,366 million euros, down 446 million euros in **organic** terms (-9.3%) compared to the first half of 2019. The natural decline of revenues from voice services connected to decreased accesses was accompanied by a fall in ARPU levels as a result of more rigorous commercial discipline, with a consequent fall also in revenues from broadband services (-133 million euros compared to the first half of 2019, -10.3%), partially offset by the growth in revenues from ICT solutions (+ 28 million euros compared to the first half of 2019, equal to + +7.0%);
- **revenues from mobile market stand-alone services** amounted to 1,680 million euros (-179 million euros compared to the first half of 2019, -9.7%) and suffered the impact of the regulatory and competitive context, with a reduction in the customer base, and the significant effects of the health emergency. In **organic** terms, **net of the aforesaid non-recurring component**, revenues from Mobile stand-alone services amounted to 1.712 billion euros (-137 million euros compared to the first half of 2019, equal to -7.4%) showing a stable trend in organic ARPU terms to the previous quarter.

Revenues for Handsets and Bundles & handsets, including the change in work in progress, amounted to 501 million euros the first half of 2020, a decrease in organic terms of 183 million euros compared to the first half of 2019, also due to lower footfall for sales outlets following the lockdown measures related to the COVID-19 emergency.

Key results for the first half of 2020 for the Domestic Business Unit are presented in the following table, broken down by customer/business segment and compared to the first half of 2019.

(millions of euros)	1st Half 2020	1st Half 2019	Changes		
			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)
National Wholesale Market	936	919	17	1.9	1.9
International Wholesale Market	445	469	(24)	(5.1)	(5.7)
Other	(6)	25	(31)		

As regards the market segments of the Domestic Business Unit, please note the following changes compared to the first half of 2019:

- **Consumer:** the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; includes the company TIM Retail, which coordinates the activities of flagship stores. In **organic terms**, net of the aforementioned **non-recurring component**, the revenues for the Consumer segment amounted to 2,915 million euros and show a decrease, compared to the first half of 2019, of 430 million euros (-12.9%), also due to the effect of the changed competitive and regulatory context. The trend seen in total revenues also applied to revenues from stand alone services, which amounted to 2,625 million euros, down by 327 million euros compared to the first half of 2019 (-11.1%). In particular:

- **revenues from stand-alone Mobile Services** amounted to 1,166 million euros and recorded a decrease in organic terms of 86 million euros (-6.8%) compared to the first half of 2019, attributable to the cut in incoming interconnection tariffs in addition to the still intense competition in the low end of the market;
- **revenues from Fixed market stand-alone services** amounted to 1,475 million euros, down compared to the first half of 2019 (-236 million euros, equal to –13.8%); this trend is characterized by decreased accesses and ARPU levels. The growth of Broadband customers is highlighted, in particular Ultra Broadband.

Revenues for Handsets and Bundles & handsets in the Consumer segment amounted to 289 million euros, down 104 million euros compared to the first half of 2019 (-26.4%), concentrated on the mobile sector following the change in the product sales strategy, focused on protecting margins. The restrictions placed on movements related to the COVID-19 health emergency also had an impact on performance: from March, the volumes of smartphones sold have drastically reduced compared to 2019.

- **Business**: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets. The segment includes the companies Olivetti, TI Trust Technologies and Telsy. In organic terms, **net of the** aforementioned **non- recurring component**, revenues for the Business segment amounted to 2,007 million euros, down by 304 million euros on the first half of 2019 (-13.2%, of which -11.2% for revenues from the stand-alone services component). In particular:

  - **mobile revenues** show a negative performance compared to the first half of 2019 (-10.9%), with a reduction of 61 million euros, driven mainly by lower revenues from stand-alone services (-9.7%) from the reduction in ARPU levels;
  - **Fixed-line revenues** fell by 245 million euros compared to the first half of 2019 (-13.7%) with a decrease in revenues from services equal of -11.5%: lower prices and revenues from traditional services (also connected with the technological shift towards VoIP systems and solutions) were only partially offset by growth in revenues from ICT services.

- **National Wholesale Market:** the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed-line and Mobile telecommunications operators in the domestic market. The segment includes the companies TN Fiber, TI San Marino and Telefonia Mobile Sammarinese. The National Wholesale Market segment revenues in the first half of 2020, reached 936 million euros, up by 17 million euros (+1.9%) compared to the first half of 2019, with a positive performance mainly driven by the growth in accesses in the Ultra Broadband segment.
- **International Wholesale Market:** includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets. Revenues for the International Wholesale Market segment for the first half of 2020 totaled 445 million euros, showing a drop of 24 million euros (-5.1%) on the first half of 2019 figure, with negligible effects on EBITDA. This trend is mainly connected to the new positioning of Telecom Italia Sparkle in the Voice business, with better focused contracts having higher margins, also in a perspective of simplifying and streamlining operating processes.
- **Other:** includes:

  - **INWIT S.p.A.**: operates in the sector of infrastructure for electronic communications and specifically infrastructure hosting radio transmission apparatus for mobile phone networks of TIM and other operators. As previously indicated, on March 31, 2020 the merger by absorption of Vodafone Towers S.r.l. with INWIT S.p.A. was completed. The transaction, which has enabled the creation of Italy's leading tower operator, resulted in the dilution of the TIM Group's stake in INWIT's capital from 60% to 37.5%. Moreover, on April 23, 2020, shares equal to 4.3% of the share capital of INWIT were sold in an accelerated book-building procedure reserved for institutional investors. Consequently, the TIM Group's investment in INWIT at June 30, 2020, is equal to 33.2%; Economic data and cash flows for the first half of 2020 include data of INWIT S.p.a. for the first quarter of 2020, net of amortization and depreciation for the period, as required by IFRS 5;
  - **Other Operations units:** covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, real estate properties and plant engineering; the Flash Fiber company and Open Access operations connected with delivery and assurance of customer services are also included, until September 2019 included in the Wholesale segment and later reclassified following the change in organizational structure;
  - **Staff & Other**: services carried out by Staff functions and other support activities performed by minor companies, including Persidera, dispose of on December 2, 2019 and included in the economic data and cash flows of the first half of 2019.

EBITDA

The Domestic Business Unit's EBITDA for the first half of 2020 was 2,684 million euros, down 245 million euros on the first half of 2019 (-8.4%), with an EBIT margin of 42.9 % (+1.5 percentage points compared to the same period of the previous financial year).
Organic EBITDA, net of the non-recurring component, amounted to 2,821 million euros, down 295 million euros (-9.5%) compared to the first half of 2019. In particular, EBITDA for the first half of 2020 was negatively impacted by a total of 137 million euros, of which 69 million euros were attributable to the COVID-19 emergency in Italy and related to the impact of TIM S.p.A.'s commercial initiatives to support customers, as well as the first effects of macroeconomic difficulties for provisions and charges related to credit management.

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2020	1st Half 2019	Changes amount	Changes %
EBITDA	**2,684**	**2,929**	**(245)**	**(8.4)**
Changes in the scope of consolidation	–	(91)	91	
Non-recurring expenses (Income)	137	278	(141)	
ORGANIC EBITDA, excluding Non-recurring items	**2,821**	**3,116**	**(295)**	**(9.5)**

In the first half of 2020, the depreciation and amortization and capital losses from the disposal of non-current assets amounted to 1,850 million euros (1,901 million euros in the first half of 2019).

Regarding the dynamics for the main items, the following are worthy of note:

(millions of euros)	1st Half 2020	1st Half 2019	Change
Acquisition of goods and services	2,315	2,454	(139)
Employee benefits expenses	1,244	1,332	(88)
Other operating expenses	318	593	(275)

In particular:

- **Other operating income** amounted to 85 million euros with a decrease of 10 million euros compared to the first half of 2019:

(millions of euros)	1st Half 2020	1st Half 2019	Change
Late payment fees charged for telephone services	19	25	(6)
Recovery of employee benefit expenses, purchases and services rendered	8	11	(3)
Capital and operating grants	14	13	1
Damages, penalties and recoveries connected with litigation	7	8	(1)
Estimate revisions and other adjustments	25	18	7
Other income	12	20	(8)
Total	**85**	**95**	**(10)**

- **Acquisition of goods and services** amounted to 2,315 million euros with a decrease of 139 million euros compared to the first half of 2019:

(millions of euros)	1st Half 2020	1st Half 2019	Change
Acquisition of goods	434	543	(109)
Revenues due to other TLC operators and interconnection costs	549	583	(34)
Commercial and advertising costs	388	431	(43)
Professional and consulting services	62	46	16
Power, maintenance and outsourced services	438	458	(20)
Lease and rental costs	144	130	14
Other	300	263	37
Total acquisition of goods and services	**2,315**	**2,454**	**(139)**
% of Revenues	*37.0*	*34.7*	*2.3*

This item fell by 139 million euros compared to the first half of 2019, especially on the acquisition of goods, which were affected in a reduction in acquisitions for resale, linked to the decrease in volumes of mobile terminals sold, in line with the repositioning of current commercial strategies. The reduction was also affected by restrictions related to the COVID-19 emergency, especially in the mobile area.

- **Employee benefits expenses** amounted to 1,244 million euros with a decrease of 88 million euros compared to the first half of 2019:

- **Other operating expenses** amounted to 318 million euros with a decrease of 275 million euros compared to the first half of 2019:

(millions of euros)	1st Half 2020	1st Half 2019	Change
Write-downs and expenses in connection with credit management	192	213	(21)
Provision charges	22	240	(218)
TLC operating fees and charges	22	25	(3)
Indirect duties and taxes	39	47	(8)
Penalties, settlement compensation and administrative fines	14	32	(18)
Association dues and fees, donations, scholarships and traineeships	6	6	–
Sundry expenses	23	30	(7)
Total	**318**	**593**	**(275)**

Other operating expenses include a non-recurring component of 39 million euros (240 million euros in the first half of 2019) mainly related to provisions and charges partly related to credit management in relation to the COVID-19 emergency, which resulted in a worsening of creditworthiness of part of the customer base following deterioration of the macroeconomic context and regulatory disputes and related liabilities, as well as expenses connected with disputes with former employees and liabilities with customers and suppliers.

EBIT

The Domestic Business Unit's EBITDA for the first half of 2020 was 833 million euros, down 196 million euros on the first half of 2019 (-19.0%), with an EBIT margin of 13.3 % (-1.3 percentage points compared to the same period of the previous financial year).

Organic EBIT, net of the non-recurring component, amounted to 970 million euros, down by 273 million euros compared to the first half of 2019 (-22.0%), with an EBIT margin of 15.4% (17.6% for the first half of 2019).

Organic EBIT, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2020	1st Half 2019	Changes amount	%
EBIT	**833**	**1,029**	**(196)**	**(19.0)**
Changes in the scope of consolidation	–	(64)	64	
Non-recurring expenses (Income)	137	278	(141)	
ORGANIC EBIT, excluding Non-recurring items	**970**	**1,243**	**(273)**	**(22.0)**

BRAZIL

	(millions of euros)		(millions of reais)				
	1st Half 2020	**1st Half 2019**	**1st Half 2020**	**1st Half 2019**	**Changes**		
					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
% of Revenues	*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
% of Revenues	*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

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 euro) were 5.40843 in the first half of 2020 and 4.34394 in the first half of 2019.

	1st Half 2020	**1st Half 2019**
Lines at period end (thousands) (*)	52,031	(1) 54,447
MOU (minutes/month) (**)	121.6	123.8
ARPU (reais)	23.6	23.0

(1) Number at December 31, 2019.
(*) Includes corporate lines.
(**) Net of visitors.

The **Brazil Business Unit (Tim Brasil group)** provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, the Tim Brasil Group offers fiber optic data transmission using full IP technology, such as DWDM and MPLS and residential broadband services.

Revenues

Revenues in the first half of 2020 of the Brazil Business Unit (Tim Brasil group) amounted to 8,202 million reais, down 252 million reais (-3.0%) compared to the first half of 2019 (8,454 million reais).

Revenues from services totaled 8,017 million reais, a drop of 71 million reais compared to 8,088 million reais of the first half of 2019 (-0.9%).

Revenues from product sales totaled 185 million reais (366 million reais for the first half of 2019). The downturn reflects the impact of shutdown of at least two months in most of Brazil due to the COVID-19 emergency; the sales policy is still focused more on value than on increasing sales volumes. In particular, the main goals of the new strategy are to increase purchases of new connected devices giving TIM customers access to broadband services on 3G/4G networks and to support new retention offerings for higher-value postpaid customers.

Mobile ARPU (Average Revenue Per User) was 23.6 reais in the first half of 2020, up on the figures recorded in the first half of 2019 (23.0), thanks to the global repositioning towards the postpaid segment and new commercial initiatives aimed at promoting data use and the average spend per customer.

Total lines in place at June 30, 2020 amounted to 52.0 million, showing a decline of 2.4 million compared to December 31, 2019 (54.4 million). The lower figure was driven mainly by the prepaid segment (-2.3 million), and in part the postpaid segment (-0.1 million), also due to the consolidation underway in the market for second SIM cards. Postpaid customers accounted for 41.0% of the customer base at June 30, 2020, an increase of 1.6 percentage points on December 2019 (39.4%).

EBITDA

EBITDA in the first half of 2020 amounted to 3,883 million reais (6,370 million reais in the first half of 2019 and the margin on revenues is equal to 47.3% (75.3% in the first half of 2019).

It should be remembered that EBITDA in the first half of 2019, benefited from non-recurring net income of 2,650 million reais as the balance of 2,876 million reais of income related to the recognition of tax receivables following the favorable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution and 226 million reais of non-recurring charges for provisions mainly for regulatory disputes and related liabilities, as well as for liabilities with customers and/or suppliers.

Organic EBITDA, net of the non-recurring component grew by 4.4% and is calculated as follows:

(millions of reais)	1st Half 2020	1st Half 2019	Changes amount	%
EBITDA	**3,883**	**6,370**	**(2,487)**	**(39.0)**
Non-recurring expenses (Income)	–	(2,650)	2,650	
ORGANIC EBITDA - excluding Non-recurring items	**3,883**	**3,720**	**163**	**4.4**

The growth is attributable to the improvement in the efficiency of the operating expenses structure during the COVID-19 emergency.

The relative margin on revenues stood at 47.3%, an increase of 3.3 percentage points compared to the first half of 2019 (44.0%).

The changes in the main cost items are shown below:

	(millions of euros)		(millions of reais)		
	1st Half 2020 (a)	1st Half 2019 (b)	1st Half 2020 (c)	1st Half 2019 (d)	Change (c-d)
Acquisition of goods and services	538	760	2,909	3,303	(394)
Employee benefits expenses	127	170	685	737	(52)
Other operating expenses	182	276	982	1,197	(215)
Change in inventories	-	(7)	-	(31)	31

EBIT

EBIT for the first half of 2020 was 1,144 million reais (3,747 million reais in the first half of 2019).
The reduction was mainly determined by the reduction in EBITDA and higher depreciation (+112 million reais).
In the first half of 2019, EBIT also benefited from the non-recurring net income of 2,650 million reais recorded at EBITDA level.

Organic EBIT, net of the non-recurring component grew by 4.3% and is calculated as follows:

(millions of reais)	1st Half 2020	1st Half 2019	Changes amount	%
EBIT	**1,144**	**3,747**	**(2,603)**	**(69.5)**
Non-recurring expenses (Income)	–	(2,650)	2,650	
ORGANIC EBIT - excluding Non-recurring items	**1,144**	**1,097**	**47**	**4.3**

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

- **Goodwill:** decreased by 213 million euros, from 23,083 million euros at December 31, 2019 to 22,870 million euros at June 30, 2020 due to the effect of the negative exchange difference relative to the goodwill of the Brazil Business Unit [31] (-223 million euros). During the first half of 2020, there was also an increase of 10 million euros due to the acquisition of control and related consolidation with the integral method, starting from May 21, 2020, of Noovle S.r.l. and its subsidiaries (Domestic Business Unit).

  Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 of the TIM Group.

- **Intangible assets with a finite useful life:** these fell by 800 million euros, from 7,667 million euros at the end of 2019 to 6,867 million euros at June 30, 2020, representing the balance of the following items:
  - capex (+474 million euros);
  - amortization for the period (- 824 million euros);
  - other disposals, exchange differences and other changes (for a net negative balance of 450 million euro, of which -448 million euro of exchange differences essentially relating to the Brazil Business Unit).
- **Tangible assets:** these fell by 1,025 million euros, from 14,011 million euros at the end of 2019 to 12,986 million euros at June 30, 2020, representing the balance of the following items:
  - capex (+771 million euros);
  - amortization for the period (- 1,171 million euros);
  - other disposals, exchange differences and other changes (for a net negative balance of 625 million euro, of which -616 million euro of exchange differences essentially relating to the Brazil Business Unit).

- **Rights of use of third-party assets:** these fell by 472 million euros, from 5,494 million euros at the end of 2019 to 5,022 million euros at June 30, 2020, representing the balance of the following items:
  - investments (9 million euros) and increases in lease contracts (+637 million euros). Increases in lease agreements include 368 million euros related to the recognition of new rights of use of assets of INWIT S.p.A., following the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. (now jointly controlled by TIM-Vodafone Europe B.V.) coming into effect on March 31, 2020, which regulates hospitality services on INWIT sites
  - amortization for the period (- 353 million euros);
  - disposals, exchange differences and other changes (for a negative net balance of 765 million euros) including the derecognition of rights of use relative to previous lease agreements stipulated with Vodafone, equal to 266 million euros, as a result of the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. coming into effect and the exchange differences of -409 million euros essentially relating to the Brazil Business Unit.

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(1) The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 6.13202 at June 30, 2020 and 4.52808 at December 31, 2019.

CONSOLIDATED EQUITY

Consolidated equity amounted to 21,394 million euros (22,626 million euros at December 31, 2019), of which 20,081 million euros attributable to Owners of the Parent (20,280 million euros at December 31, 2019) and 1,313 million euros attributable to non-controlling interests (2,346 million euros at December 31, 2019). In greater detail, the changes in consolidated equity were the following:

(millions of euros)	**6/30/2020**	**12/31/2019**
Start of period	**22,626**	**21,747**
Total comprehensive income (loss) for the period	(294)	1,206
Dividends approved by:	(317)	(296)
TIM S.p.A.	*(317)*	*(166)*
Other Group companies	–	*(130)*
Persidera – disposal	–	(44)
INWIT – deconsolidation	(644)	–
Grant of equity instruments	(5)	4
Other changes	28	9
End of period	**21,394**	**22,626**

CASH FLOWS

The Net financial debt carrying amount amounted to 25,971 million euros, down by 1,697 million euros compared to December 31, 2019 (27,668 million euros).
The main transactions that had an impact on the change in adjusted net financial debt are as follows:

Change in adjusted net financial debt

(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
Change in inventories	*6*	*73*	*(67)*
Change in trade receivables and net amounts due from customers on construction contracts	*329*	*(138)*	*467*
Change in trade payables	*(1,293)*	*(973)*	*(320)*
Other changes in operating receivables/payables	*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)**
% of Revenues	*19.9*	*20.2*	*(0.3) pp*
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
Income taxes and other	37	(36)	73
EQUITY FREE CASH FLOW	**978**	**1,076**	**(98)**

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first half of 2020 was particularly impacted by the following:

Capital expenditures and for mobile telephone licenses/spectrum

Capital expenditures for the first half of 2020, were 1,254 million euros (1,481 million euros in the first half of 2019).

Capital expenditures and for mobile telephone licenses/spectrum are broken down by operating segment as follows:

(millions of euros)	1st Half 2020		1st Half 2019		Change
		% of total		% of total	
Domestic	963	76.8	1,114	75.2	(151)
Brazil	291	23.2	367	24.8	(76)
Other Operations	–	–	–	–	–
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**1,254**	**100.0**	**1,481**	**100.0**	**(227)**
% of Revenues	*16.2*		*16.5*		*(0.3) pp*

In particular:

- the **Domestic Business Unit** reported investments for 963 million euros, down by 151 million euros (-135 million euros in organic terms) compared to the first half of 2019, mainly due to some planned activities being postponed, also as a result of the restrictions imposed by the COVID-19 emergency;
- the **Brazil Business Unit** reported capital expenditures of 291 million euros, a fall of 76 million euros compared to the first half of 2019 (367 million euros). Excluding the impact due to exchange rate dynamics (-72 million euros), the organic reduction was equal to 4 million euros. Capital expenditures were mainly aimed at strengthening the UltraBroadBand mobile network infrastructure and developing TIM Live's fixed BroadBand business.

Change in net operating working capital

The change in net operating working capital in the first half of 2020 reflects an absorption of 53 million euros (negative for 1,146 million euros in the first half of 2019) mainly due to the net requirement deriving from the reduction in trade payables (-1,293 million euros) partially offset by the positive change in trade receivables and net receivables for contract work and other operating receivables and payables (totaling 1,234 million euros).

Sale of investments and other disposals flow

Positive for 1,018 million euros, and refers nearly entirely to the deconsolidation of INWIT S.p.A., s well as the inflow from the TIM Group's disposal of 4.3% of INWIT, in an accelerated book-building procedure reserved for institutional investors.
In the first half of 2019, this item amounted to 7 million euros and mainly related to disposals of assets within the normal operating cycle.

Share capital increases/reimbursements, including incidental costs

In the first half of 2020, this item totaled 8 million euros and essentially consisted of the contribution from an external shareholder of the Group for new capital issued by a subsidiary (5 million euros in the first half of 2019).

Increases in lease contracts

In the first half of 2020, this item amounted to 637 million euros.
Increases in lease contracts include the higher value of user rights entered following new lease agreements payable, increases in lease payments and renegotiations of existing agreements. In particular, this includes 368 million euros, related to the recognition of new rights of use of INWIT S.p.A. assets, following the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. coming into effect on March 31, 2020.
For further details, see the Note “Rights of use of third-party assets” of the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 of the TIM Group.

Financial expenses, income taxes and other net non-operating requirements flow

In the first half of 2020 the item was positive at 139 million euros. It mainly includes outflows relative to financial management components, as well as the payment of income taxes and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during the first half of 2020 resulted in a positive effect on the adjusted net financial debt at June 30, 2020, amounting to 1,573 million euros (1,958 million euros at December 31, 2019); 1,735 million euros at June 30, 2019).

Net financial debt

Net financial debt is composed as follows:

(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 receivables arising from 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 non-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*

The financial risk management policies of the TIM Group are aimed at minimizing market risks, fully hedging exchange rate risk, and optimizing interest rate exposure through appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.
In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65%–75% for the fixed-rate component and 25%–35% for the variable-rate component.
In managing market risks, the Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.
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.
For further details, see the "Alternative performance indicators" chapter.

Adjusted net financial debt amounted to 25,971 million euros at June 30, 2020, **a decrease of 1,697 million euros compared to December 31, 2019** (27,668 million euros). The reduction was due in part to solid generation of free cash flow, obtained in part by optimisation of working capital, which allowed payment of dividends on ordinary and savings shares of TIM S.p.A. for total 316 million euros, as well as the effects of the INWIT transaction. In particular, with regard to INWIT we point out the deconsolidation of the company's debt (643 million euros compared to December 31, 2019) which broadly compensated for new debts incurred for leases to INWIT, now under joint control (368 million euros), after the ending of financial lease contracts with Vodafone (214 million euros), the collection of dividends (256 million euros, of which 214 million euros was in extraordinary dividends) and the sale of 4.3% of the holding (400 million euros).

For a better understanding of the information, the various methods of representing the Net Financial Debt are explained in the following table:

(millions of euros)	6/30/2020 (a)	12/31/2019 (b)	Change (a-b)
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)**
Leases	*(4,876)*	*(5,204)*	*328*
Leasing – Discontinued operations/Non-current assets held for sale:	*–*	*(571)*	*571*
Adjusted net financial debt - After Lease	**21,095**	**21,893**	**(798)**

Net financial debt carrying amount amounted to 25,954 million euros at June 30, 2020, a decrease of 2,292 million euros compared to December 31, 2019 (28,246 million euros).

The fair value measurement of derivatives and related financial liabilities/assets recorded a change of 595 million euros compared to December 31, 2019 following the fall in US dollar interest rates and the relevant revaluation of hedging on US currency bonds. This change, that hasn't monetary effects, is adjusted from the Net Financial Debt carrying amount.

Adjusted Net Financial Debt – After Lease (net of the impact of all leases), **which is a parameter adopted by main European peers**, was equal to 21,095 million euros at June 30, 2020, down by 798 million euros compared to December 31, 2019 (21,893 million euros). The reduction is lower than shown in the Adjusted net financial debt, as the effects of the deconsolidation/new payables due to IFRS 16 in relation to the INWIT transaction, and the effects of the exchange rate on the payables due to IFRS 16 in Brazil, are not taken into account.

Gross financial debt

Bonds
Bonds at June 30, 2020 totaled 20,816 million euros (21,731 million euros at December 31, 2019). Repayments totaled a nominal 20,374 million euros (21,162 million euros at December 31, 2019).

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

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

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

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

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 Maggio 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.

Maturities of financial liabilities and average cost of debt
The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 7.82 years.
The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 3.8%, while the average cost of the Group's debt "After Lease" was equal to approximately 3.4%.
For details on the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes "Financial liabilities (non-current and current)" in the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 of the TIM Group.

Current financial assets and liquidity margin
The TIM Group's available **liquidity margin** amounted to 11,179 million euros, equal to the sum of:

- "Cash and cash equivalents" and the "Current securities other than investments" for a total of 4,479 million euros (4,015 million euros at December 31, 2019), also including 469 million euros in repurchase agreements expiring by September 2020;
- the totals for the Revolving Credit Facility, of 5,000 million euros, and the Bridge to Bond Facility, of 1,700 million euros, fully available.

This margin is sufficient to cover Group financial liabilities (current and otherwise) falling due over the next 30 months.

In particular:
Cash and cash equivalents amounted to 3,603 million euros (3,138 million euros at December 31, 2019). The different technical forms of investing available cash can be analyzed as follows:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: investments by the European companies are made with leading banking, financial and industrial institutions with high credit quality. Investments by the companies in South America are made with leading local counterparties;
- country risk: deposits have been made mainly in major European financial markets.

Current securities other than investments amounted to 876 million euros (877 million euros at December 31, 2019): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 319 million euros of Italian and European treasury bonds held by Telecom Italia Finance S.A., 515 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash, and 42 million euros of investments in monetary funds by the Brazil Business Unit. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group.

Adjusted net financial debt amounted to 25,971 million euros in the second quarter of 2020, a decrease of 774 million euros compared to March 31, 2020 (26,745 million euros): the positive effects of the generation of operating cash flow and revenue from the sale of 4.3% of the holding in INWIT (400 million euros) and the extraordinary and ordinary dividend, broadly compensated for the payment of dividends of TIM S.p.A of 316 million euros.

(millions of euros)	6/30/2020 (a)	12/31/2019 (b)	Change (a-b)
Net financial debt carrying amount	**25,954**	**26,569**	**(615)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*17*	*176*	*(159)*
Adjusted net financial debt	**25,971**	**26,745**	**(774)**
Breakdown as follows:			
Total adjusted gross financial debt	**31,544**	**32,040**	**(496)**
Total adjusted financial assets	**(5,573)**	**(5,295)**	**(278)**

CONSOLIDATED DATA – TABLES OF DETAIL

To follow, the Separate Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows as well as Other Information of the TIM Group.

Separate Consolidated Income Statement

(millions of euros)	1st Half 2020 (a)	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 profits (losses) 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 Statement of Comprehensive Income

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Consolidated Statement of Comprehensive Income, including the Profit (loss) for the period, as shown in the Separate Consolidated Income Statement, 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 (IAS 19):			
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 Statement of Financial Position

(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 receivables arising from 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				
Current financial receivables arising from lease contracts		*36*	*58*	*(22)*
Securities other than investments, other financial receivables and other current financial assets		*1,007*	*999*	*8*
Cash and cash equivalents		*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)**

(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)
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 Statement of Cash Flows

(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 profits (losses) 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 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**

The additional disclosures required by IAS 7 are provided in the Note “Net Financial Debt” to the TIM Group Consolidated Financial Statements at June 30, 2020.

OTHER INFORMATION

Average salaried workforce

(equivalent number)	1st Half 2020 (a)	2019 (b)	1st Half 2019 (c)	Change (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 first half of 2020; 5 average employees in Italy in 2019; 3.5 average employees in Italy in the first half of 2019.

Headcount at period end

(number)	6/30/2020 (a)	12/31/2019 (b)	6/30/2019 (c)	Change (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 at 12/31/2019; 6 employees in Italy at 6/30/2019.

Headcount at period end – Breakdown by Business Unit

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

AFTER LEASE INDICATORS

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

EBITDA ADJUSTED AFTER LEASE – TIM GROUP

(millions of euros)	1st Half 2020	1st Half 2019	Change amount	Change %
ORGANIC EBITDA – excluding Non-recurring items	**3,535**	**3,799**	**(264)**	**(6.9)**
Payments for leasing	(431)	(445)	14	(3.3)
EBITDA adjusted After Lease (EBITDA-AL)	**3,104**	**3,354**	**(250)**	**(7.4)**

EBITDA ADJUSTED AFTER LEASE – DOMESTIC

(millions of euros)	1st Half 2020	1st Half 2019	Change amount	Change %
ORGANIC EBITDA – excluding Non-recurring items	**2,821**	**3,116**	**(295)**	**(9.5)**
Payments for leasing	(273)	(300)	27	(9.0)
EBITDA adjusted After Lease (EBITDA-AL)	**2,548**	**2,816**	**(268)**	**(9.5)**

EBITDA ADJUSTED AFTER LEASE – BRAZIL

(millions of euros)	1st Half 2020	1st Half 2019	Change amount	Change %
ORGANIC EBITDA – excluding Non-recurring items	**718**	**688**	**30**	**4.4**
Payments for leasing	(158)	(145)	(13)	8.7
EBITDA adjusted After Lease (EBITDA-AL)	**560**	**543**	**17**	**3.2**

ADJUSTED NET FINANCIAL DEBT AFTER LEASE – TIM GROUP

(millions of euros)	6/30/2020	12/31/2019	Change
Adjusted net financial debt	**25,971**	**27,668**	**(1,697)**
Leasing	(4,876)	(5,775)	899
Adjusted net financial debt – After Lease	**21,095**	**21,893**	**(798)**

TIM GROUP EQUITY FREE CASH FLOW AFTER LEASE

(millions of euros)	1st Half 2020	1st Half 2019	Change
EQUITY FREE CASH FLOW	**978**	**1,076**	**(98)**
Leasing	(447)	(319)	(128)
EQUITY FREE CASH FLOW AFTER LEASE	**531**	**757**	**(226)**

EVENTS SUBSEQUENT TO JUNE 30, 2020

See the specific Note "Events Subsequent to June 30, 2020" in the Half-Year Condensed Consolidated Financial Statements of the TIM Group.

BUSINESS OUTLOOK FOR THE YEAR 2020

Financial targets of the 2020-2022 plan (IFRS 16/After Lease):

- Cumulative Equity Free Cash Flow during the three-year Plan 4.5-5 billion euros, reflecting the deconsolidation of the INWIT results and the new accounting standards (IFRS 16 After Lease) to be increased further through inorganic actions that are currently not included.
- Reduction of the Group's debt after lease below 18 billion euros at 2021. 2022 is expected to be stable year-on-year for the payment of the last tranche of the 5G licence.
- The Group's Organic service Revenues are expected to be slightly lower (mid-single-digit) in 2020 and slightly higher (low single-digit) in 2021-2022.
- The Group's Organic After Lease EBITDA is expected to be slightly lower (mid-single-digit) in 2020 and slightly higher (low to mid-single-digit) in 2021-2022.
- Revenues from Domestic services are expected to be lower (mid to high single-digit) in 2020 and stable or slightly higher (stable to low single-digit growth) in 2021-2022.
- The domestic Organic After Lease EBITDA is expected to be lower (mid to high single-digit) in 2020 and slightly higher (low to mid-single-digit growth) in 2021-2022.
- Domestic Capex expected to be approximately 2.7 billion euros in 2020 and 2.9 billion euros per year in 2021-2022.

Guidance takes into account the best estimate to date of the impacts of the COVID-19 pandemic and the consequent macro-economic impacts on the Group.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation. The TIM Group has adopted an Risk Management model that is constantly evolving to be aligned with international regulations and standards, to allow the identification, assessment and management of risks in a uniform way within Group companies, highlighting potential synergies between the actors involved in the assessment of the internal control and risk management system. The Risk Management process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.
Moreover, the business outlook for 2020 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.
In this context we must highlight the health emergency due to the recent spread of the COVID-19 virus, qualified as a pandemic by the World Health Organization (WHO). In addition, non-exhaustively, the following additional factors are mentioned: a change in market context, entry of new potential competitors in the fixed-line and mobile sphere, the initiation of procedures by Authorities and consequent delays in the implementation of new strategies, any constraints connected to the exercise of the Golden Power by the Government with effects – currently not foreseeable – in terms of strategic choices and progress of the already announced three-year objectives which may entail, for some, different timing than that initially scheduled or relative achievement with new and more joined-up paths.

RISKS RELATED TO BUSINESS AND SECTOR ACTIVITIES

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce market share in the geographical areas where the TIM Group is engaged as well as erode prices and margins. Competition is focused on innovative products and services and on the capacity to move towards higher levels of convergence in service and expand it to the content offering, but also on the price competition in both traditional and other services. The use of new technologies (IoT) and new knowledge and customer management tools (Big Data) represent enabling factors in the mitigation of competition risks, however failure to exploit these opportunities could become an additional element of risk.
In the area of infrastructure competition, the growth of alternative operators could represent a threat for TIM, also beyond the Plan period.
From a commercial point of view, the two companies Sky and Iliad have signed agreements to enter into the world of fixed-line telephony.
In this area, on June 16, 2020, SKY Italia launched Sky Wifi, its ultrabroadband service currently available for subscribers residing in 26 Italian cities and large municipalities, expected to be 120 by the end of the summer.
Furthermore, Iliad, already active in the mobile telephony market since the end of May 2018, on July 7, 2020, with the aim of acquiring a 10-15% market share, announced the partnership with OF as the first step towards entering the fixed-line market on the FTTH fiber network.
Competitive risks in the Brazilian market lie in the rapid transition of the business model tied to traditional services and the potential consolidation of the sector. As the consumption patterns of consumers change (migration from voice to data services), service providers need to act swiftly in upgrading their infrastructure and modernizing their portfolios of products and services. In this context, the Tim Brasil group could be impacted by the need to upgrade its technologies and infrastructure rapidly and by greater competition, in the form of aggressive sales strategies and potential business combinations in the sector. At the same time, the slow recovery from the country's deep economic crisis and the delay in the necessary structural reforms have directly affected consumption, in particular in the prepaid segment.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which the TIM Group operates, it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high quality network is necessary to maintain the customer base and minimize terminations to protect the Company's revenues from erosion.

The maintenance and improvement of existing installations depend on the Group's ability to:

- deliver network development plans within the time-frames contemplated by business development plans and with the necessary level of effectiveness/efficiency;
- upgrade the capabilities of the networks to provide customers with services that are closer to their needs;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies;
- sustaining the necessary level of capital expenditure in the long term.

Cyber security risks

Cyber risk is on the increase worldwide and as such requires continual monitoring by TIM, given the sheer amount of IT assets the company manages in terms of own TLC infrastructure and assets necessary to deliver services to customers.
In view of these considerations, considerable attention was paid to protecting networks from main threats (e.g. viruses, malware, hackers, data theft, DDoS attacks). With a wide range of attackers (Cyber-Criminals, Cyber-Terrorists, Insiders, etc.), TIM carries out activities not only to safeguard its infrastructure but also – with a strong sense of responsibility – to protect customers' information assets, that are a priority target for the company.
For this purpose, TIM's Security Department includes company functions that manage cyber risk, in order to adopt all useful actions to prevent this risk and manage IT security incidents.
Particular attention is paid to IT sssets covered by the Golden Power regulations and by regulations on the national Cyber security perimeter.
As regards prevention, the ICT Risk Management process monitors risk analyses, defines security plans for the company's IT assets, to identify the actions necessary to mitigate cyber risk in advance and guarantee a security by design approach, also monitoring the plans of these actions and controls on actual adoption in the field (ethical hacking).
As for its response to cyber attacks, the Security Operation Center (SOC), operates 24/7, 365 days a year, in order to monitor, identify and manage IT security incidents and help limit their impacts.
The SOC also works with the Security Lab and, through internal and external players, continually studies threats and obtains useful indicators to increase the likelihood of success in identifying these threats to TIM's assets.

Business Continuity Risks

The TIM Group's success depends heavily on the ability to ensure the continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets, which are sensitive to various internal and external threats. TIM has adopted a "Business Continuity Model System" framework in line with international standards, to analyze and prevent these risks.
TIM considers Business Continuity a fundamental factor for the protection of the Group's Value and Reputation, in the provision of its services and in full compliance with what is defined in customer contracts, in sector regulations and, more generally, in consistency with reference methodologies and best practice.
Within the TIM Group, Business Continuity is defined as "*the organization's ability to guarantee continuity in the provision of services in relation to predefined and acceptable levels following a disruptive incident*".
The operational scope of any technological, organizational, logistical and commercial process connected directly or indirectly to the main national and regional telecommunication network infrastructure and TIM's National Data Centers infrastructure are included in the scope of application of this policy, as well as the infrastructure itself.
TIM implements an ongoing management and governance process which, supported by the Company Management, ensures that the necessary steps are taken to identify the impact of potential losses, that recovery plans and strategies are practical and that continuity of services is guaranteed through training programs, tests, exercises and periodic updating and revision activities.
The prevention model adopted to ensure Business Continuity, even in crisis situations, is the Business Continuity Management System (BCMS), defined in the specific Organizational Procedures in accordance with the ISO 22301 international standard. The model identifies specific roles and responsibilities.
The Business Continuity Department works within the TIM Security Department and is responsible for the governance of the corporate risk prevention process, which may lead to interruptions or unacceptable degradation of TIM business and supporting the corporate functions to identify, quantify and implement security initiatives aimed at reducing identified risks.

To guarantee an operational link between the aforementioned Department and the other corporate Departments, Business Continuity Contacts are identified in Departments and specific operational relationships are outlined.
Company departments are responsible for Business Continuity activities on the processes and services they are responsible for, which they do by identifying the most relevant ones and the ways in which to guarantee their continuous operation, even in situations of interruption or severe degradation.
The most relevant issues concerning Business Continuity are brought to the attention of Top Management in the specific Steering Committee.
During the first half of 2020, the BCMS model and in particular the Business Continuity Plans were used as tools to ensure maximum operating conditions in the face of the COVID-19 health emergency. The timely adoption by all company departments of the defined continuity measures made it possible to adopt adequate strategies for the continuation of business activities both remotely and in on-field operations, always guaranteeing maximum protection of employees health and safety.

Risks of internal and external fraud

Technological progress means that increasingly sophisticated tools and techniques, which are quick acting and have a considerable economic impact are available for fraudulent activity.
"Conventional" phenomena such as subscription, interconnection, and commercial fraud currently generate the highest part of revenue loss and will continue to be significant in the near future, however new types of Internet-style fraud will gradually gain more ground (Internet spamming/phishing, service reselling, VoIP bypass, etc.). Furthermore, some specific types of provided services (e.g. wholesale interconnection, voice or data services) are potentially at risk of third party use for the construction of fictitious transaction schemes, tax avoidance offenses and/or international money laundering.
By way of example only, Fraud Management covers:

- traffic or marketing-related fraud;
- fraud connected with procurement processes and the supply of goods and services;
- computer fraud;
- fraud related to the use and disclosure of confidential information;
- tax and/or financial fraud;

which are:

- identified by specific controls during routine working activities, or reported from sources inside/outside the company;
- committed by entities outside the company, or by or with the assistance of employees (internal fraud).

Also in light of the above, a Fraud Risk Self Assessment process was launched, which involves all company units, aimed at updating the risk framework to be managed through the timely recognition and correct identification of priorities and mitigation assumptions of the risks themselves.
Given the above, the TIM Group has an established organizational model based on the governance of fraud and a separate operational governance system for managing and combating fraud.
The procedure to combat external fraud, drawing on company processes at risk of the offenses contemplated in Italian Legislative Decree no. 231/2001 being committed, sets out internal control mechanisms, including instructions on how employees and Company staff/partners (including suppliers) must behave (Prevention). In the Detection stage, potential cases of fraud are identified and after a preliminary check of the possible grounds the cases may be subject to Investigation and Tackling. To complete the fraud management end-to-end cycle, the results of actions taken are assessed with monitoring and any actions to improve the fraud management process are identified.
The fight against internal fraud, implemented in compliance with the limits imposed by the recently updated trade union agreements prohibiting distance monitoring of staff at work, is carried out through the detection of information relating to the concentration of anomalous operations that flag-up possible cases of serious wrongdoing. The control is automated and provides access to pseudonymised data. Only when suspicion of illegal conduct is confirmed does the Security Fraud Management department ask the system administrator concerned to make the information on the anomalous event intelligible, to allow for the consequent activities to protect the company. However, the data is not used to check work performance.

FINANCIAL RISKS

The TIM Group may be exposed to financial risks, such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks related to the performance of the equity markets in general, and – more specifically – risks related to the performance of the share price of the TIM Group companies. These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIM Group has established guidelines, at central level, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved. In particular, in order to mitigate the liquidity risk, the TIM Group aims to maintain an "adequate level of financial flexibility", in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12–18 months.
The potential impact of Brexit will depend on the result of negotiations on the future relationship with the EU, especially that of a commercial nature, which will follow the separation on January 31, 2020.
Brexit and the real risk of a "no deal" – due above all to differences between the UK and the EU over the topic of commercial regulations – could cause further instability in the global financial markets within an international framework already made delicate by the commercial dispute between the USA and China.
The potential effects of Brexit on financial risks (rate, exchange and counterparty) prompted by the failure of the UK and the EU to reach an agreement by December 31, 2020 were not held to be significant for TIM and the Group.
In addition, the TIM Group's financial risk management policies provide for the full hedging of exchange rate risk and the minimization of exposure to interest rate and counterparty risk and are also effective in the Brexit context.

RISKS RELATED TO MACROECONOMIC CONDITIONS

Coronavirus and COVID-19

We note the health emergency due to the recent spread of the COVID-19 from the Coronavirus (SARS-CoV-2), qualified as a pandemic by the World Health Organization (WHO). In addition to the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of certain customer segments, this pandemic could lead to slowdowns in business activities, resulting from measures issued by national and foreign authorities, the consequent restructuring of internal work organization with most activities carried out remotely and limitation of certain types of technical and commercial work, hardship among customers and problems in the supply chain, with negative impacts on the overall results of the Group.
The management of this emergency phenomenon requires, also in consideration of the public service provided, the implementation of all activities relating to the operational continuity of business processes with the aim of ensuring the functionality of the services provided and the protection of employees'health.

Risks related to macro-economic factors

The TIM Group's economic and financial situation depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates and exchange rates in the markets where it operates.
The Italian economy was strongly hit by the COVID-19 emergency in the first quarter of 2020, with a 5.3% decrease in GDP compared to the previous quarter, higher than that of the Euro area (-3.6%). The slowdown in world trade (due to the negative shocks from the persistent protectionist policies of the United States, the trade war between the United States and China) and the uncertainties relating to the automotive sector in Europe had already had a significant impact on Italian GDP in 2019, which recorded limited growth at the end of the year (+0.3%). On the domestic front, the pandemic and the consequent lockdown negatively affected production and household consumption: the collapse of industrial production in the first quarter of 2020, compared to the previous quarter was 8.4% and household consumption fell by 4%. The pandemic will have a very significant economic impact on Italian GDP, which is difficult to quantify as it is dependent on a possible second wave of the virus and the effects of monetary and fiscal policies to be implemented at national and European level (Recovery fund). Without doubt, the Italian government's measures to limit the contagion and support household incomes will have a significant impact on supply and demand, and will also lead to a severe increase in public debt. Consumption will contract significantly in 2020, especially in the services sector, as a result of measures to limit the contagion and to make consumers more cautious in the phase of living with the virus In the World Economic Outlook of June, the International Monetary Fund, which defined this crisis as "like no other" and with an "uncertain recovery", lowered the growth outlook for the global economy by a further 2 p.p. (June - 4.9% compared to April -3%). For Italy, the main national and international economic institutions foresee a contraction of the economy between 8% and 13% for 2020. In Brazil, the expected results may be significantly affected by the macroeconomic and political situation. After two years of falling GDP, which marked one of the

deepest crises in Italy's history, growth returned in 2017 (+1%) and 2018 closed with a growth of 1.1% compared to the previous year. According to IBGE – Brazilian Geography and Statistic Institute – GDP growth for 2019 was 1.1%, the same as for the previous year. Although the government has successfully approved the Social Security Reform, the market is still waiting for some structural changes to improve the Brazilian government's investment capacity for a more significant recovery. In addition, turmoil in the external market, such as the trade war between the United States and China and Brexit, will have further effects on the Brazilian economy's recovery.
Operations, spending and the way consumers use the network and other Tim Brasil products and services could be affected by recent policies and initiatives in the Brazilian public and private sector to reduce the transmission of COVID-19 – such as travel restrictions, social distancing, working from home and online training by companies and institutions – as well as a reduction in disposable income for some customers as a result of the pandemic. In addition, COVID-19 could affect suppliers' ability to procure products and services, such as new mobile devices or SIM cards, or the ability to provide support to the network. Some of these factors could increase demand for TIM Brasil products and services, while others may decrease it or make it harder to satisfy customers, such as the closure of some stores. Due to the speed at which the situation is evolving, it is not possible to estimate the impact of COVID-19 on Tim Brasil's operating and financial results at this time, however the impact could be material.

RISKS RELATED TO THE LEGISLATIVE AND REGULATORY FRAMEWORK

Regulatory risks

The electronic communications industry is highly regulated. As such, new decisions by Autorità per le Garanzie nelle Comunicazioni (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group and the guidance announced to the market. In addition, the position of significant market power held by TIM In the fixed-line access markets and the structure of the mobile markets results in high levels of scrutiny from the Italian Antitrust Authority (AGCM) over competition in the sector.
The main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent final decisions in new proceedings by AGCom and AGCM;
- AGCom decisions with retroactive effect (for example, the revision of prices applicable to past years and the effectiveness and actual implementation of repricing policies, also following administrative rulings);
- AGCom decisions that can influence the technological choices, with potential impact on the timing of return on infrastructure investment;
- any AGCM decisions that can limit TIM's competitive capacity (for example, in terms of minimum retail prices to guarantee replicability);
- any inadequacy in the implementation of processes and systems for the management of regulated services, identified by AGCom or AGCM;
- any AGCom or AGCM decisions that impose constraints on the *pricing* of fixed-line and mobile offers on the basis of consumer protection legislation.

Compliance risks

The TIM Group may be exposed to risks of non-compliance due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws, regulations, new accounting standards and Authority orders), with consequent judicial or administrative penalties, financial losses or reputational damage.
The TIM Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformities are identified and is monitored by the dedicated internal control system.
Compliance with Commission Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), directly applicable as from May 25, 2018 and enacted in Italy by Legislative Decree no. 101/2018 is particularly important. This Regulation has increased administrative fines considerably compared to the Data Protection Act previously in effect, and in some cases fines of up to 20 million euros may be administered, or in the case of companies, of up to 4% of their global annual turnover of the previous year, if this amount is higher than 20 million euros. Starting from the operating model already in use with pre-existing privacy regulations, the TIM Group has taken necessary action to comply with the GDPR.

Golden Power

The “Golden Power” Decrees that give the government special powers over corporate structures in the defense and national security sectors, as well as for activities of strategic importance in the telecommunications sector, affect the public-private relationship, in addition, adding value to the technological assets and services included in the Golden Power perimeter, with content derived from the pursued institutional purpose.
In summary, the Prime Minister established that the Company is subject to the obligations pursuant to Legislative Decree no. 21/2012 (special powers rules) on September 28, 2017, as a business that:

- carries out “activities of strategic importance for the defense and national security system” (as per article 1 of the Decree Law) and
- possesses networks and systems “necessary to ensure the minimum supply and operation of essential public services” and goods and relationships “of strategic importance for the national interest” in the communications sector (as per article 2 of the same Decree Law).

The regulatory architecture relating to TIM, consequently, involved a first phase in 2017 on the issue of the Prime Ministerial Decrees of October 16 and November 2.
The government’s ruling was subsequently integrated with the Law of May 20, 2019, no. 41 which included measures relating to electronic broadband communication services based on 5G technology within a wider framework of urgent measures”.
With the aforementioned ruling of October 16, 2017, the Prime Minister exercised the special powers provided for in article 1 of the Golden Power Decree by imposing specific provisions and conditions on TIM and the Sparkle and Telsy subsidiaries. The measures concern corporate and organizational governance; in particular, the Prime Minister requires the presence on the respective Boards of Directors of a Security Chief Executive Officer – currently coinciding with the Chief Executive Officer – (who has Italian citizenship and security authorization) and the establishment of a Security Organization unit.
This organizational unit is responsible for activities relevant to national security and the regulations also require that it is involved in all decision-making processes relating to strategic activities and the network and is assigned to a Security Officer chosen from a list of names proposed by the Department of Information Security in the Prime Minister’s Office.
TIM, Sparkle and Telsy must also provide prior information on any decision that may, among other things, reduce or yield technological, operational and industrial capabilities in strategic activities.
These measures also relate to the prior communication obligation of corporate decisions (appointments, sales, etc.) as well as information on network and exchange development, investment and maintenance plans, to preserve their functionality and integrity, as well as the obligation to notify of any corporate action that may have an impact on their security, availability and functioning.
With a ruling on November 2, 2017, the Prime Minister’s Office also exercised the special powers provided for in article 2 of the Golden Power Decree, through the imposition of further requirements and conditions.
With the subsequent implementing decrees of September 5, 2019 and July 6, 2020, the Legislator imposed the exercise of special powers in relation to the supply of 5G technology produced outside the EU, stating that these communication services constitute activities of strategic importance for the National Defense and Security system.

RISKS RELATED TO LEGAL PROCEDURES AND REGULATORY AUTHORITIES

The TIM Group has to deal with disputes and litigation with tax authorities and government agencies, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of settlement unfavorable to the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

MAIN CHANGES IN THE REGULATORY FRAMEWORK

DOMESTIC

In this section we report the main changes in the regulatory framework in the first half of 2020 in the Domestic region.
As regards the Antitrust proceedings (A514, I799, I820, PS11532 and IP327), as well as the proceedings regarding the 28-day invoicing, see the Note "Disputes and pending legal actions, other information, commitments and guarantees" in the Half-Year Condensed Consolidated Financial Statements of the TIM Group at June 30, 2020.

New EU Electronic Communications Code

The (EU) 2018/1972 Directive, which establishes the new European Electronic Communications Code (Code), will be applicable in Member States after its transposition into national laws, which must take place by December 21, 2020.
The Code reviews and replaces the previous European regulatory framework made up of the Access Directive, Framework Directive, Authorization Directive and the Universal Service Directive.
The main changes concern the regulation of access/interconnection, spectrum management and Universal Service obligations.

Access and interconnection regulation

The new rules aim to stimulate investment in very high capacity networks while continuing to protect competition and the interests of end users.
The new European Electronic Communications Code promotes co-investment as a model for developing Very High Capacity Networks – VHCNs, providing for the possibility of not imposing *ex-ante* regulatory obligations on new VHCNs set up in co-investment in the face of specific binding commitments for operators with Significant Market Power (SPM) on the conditions of access and the opening up of the co-investment offer.
The new Code also provides for a lighter regulatory regime for SPM companies that have developed a the "wholesale-only" model, where the National Regulatory Authority (NRA) may exempt SPM operators who offer communication services from certain obligations, including cost orientation electronics exclusively in wholesale markets, imposing only the obligations of access, non- discrimination and fair and reasonable pricing on them;
Finally, the Code also privileges the obligation of access to infrastructures over other *ex ante* obligations and extends the possibility of imposing symmetric access obligations on essential network infrastructures beyond the first distribution/concentration point. It introduces longer market review periods (five years instead of three) to offer operators greater certainty and provides for the European Commission to set EU price caps for mobile and fixed termination rates applicable to all operators active on termination markets.
The new measures mentioned so far aim to encourage investments in the new VHCNs.

Spectrum management

The new Code introduces new rules for the development of mobile networks and 5G, including the minimum duration of the rights to use frequencies, equal to 15 years with the possibility of an extension of an additional 5 years. A subsidized regime for the installation of small cells was also introduced as was:

- consistency of installation rules at national level;
- installations not subject to individual preventive permits (with some exceptions);
- installations not subject to contributions or charges in addition to administrative charges;
- right of access on fair, reasonable, transparent and non-discriminatory conditions to any physical infrastructure controlled by public authorities (e.g. light poles, road signs, etc.).

On June 30, 2020, the European Commission adopted Implementing Regulation (EU) 2020/911 (applicable from December 21, 2020) which defines the physical and technical characteristics of the small cells that fall within the scope of the subsidized regime.

Universal Service obligations

The Code provides an obligation for all broadband Internet access service and fixed location voice communication services providers to ensure "financial accessibility" for residential users (in particular those with a low-income or special social needs). However, Member States are free to impose universal service obligations (including coverage obligations where necessary) on designated companies (as is currently the case in Italy, where TIM is the designated company).

Each Member State must decide what is appropriate broadband internet access; the access speed must at least allow end users to use the services listed in Annex V of the Code.
A Member State can continue to impose obligations related to public telephony, if the need for this service is determined on the basis of national circumstances
There are no longer specific QoS-Quality of Service obligations related to the provision of the universal service.
Member States can also choose the public and/or sectoral financing methods for costs relating to the universal service:
The changes introduced by the Code will presumably lead to a revision of the universal service regime currently applied in Italy.

BEREC Regulation

The 2018/1971 Regulation revises the operating rules for the Body of European Regulators for Electronic Communications (BEREC) and the tasks assigned to it. In particular, these include:

- assisting and advising the Commission, at its request, in relation to drafting legislative proposals in the field of electronic communications, including any proposals to amend the Regulation or Code;
- preparing guidelines for the implementation of the Code (e.g. geographic mapping of access networks, Very High Capacity Networks – VHCN and co-investment, symmetric obligations);
- the BEREC and Commission double-lock veto on decisions relating to the imposition of symmetric obligations beyond the first distribution or concentration point and non-imposition of obligations in the presence of binding commitments on co-investment in VHCN (introduced in the Code).

The Regulation does not amend the governance of BEREC: with continued provision for BEREC and the BEREC Office, the latter being an EU agency with legal personality.

Intra-EU international communications regulation

The BEREC regulation also introduces caps for intra-EU international calls and SMSs only for fixed-line and mobile consumer customers.
The caps for intra-EU international calls and SMSs were applied from May 15, 2019, for a duration of 5 years, so until May 14, 2024:

- 19 euro cents/min (+VAT) for international intra-EU calls;
- 6 euro cents/SMS (+VAT) for intra-EU international SMSs.

Wholesale fixed-line markets

Fixed network access market analysis

The final provision published on August 8, 2019 defines the obligations and economic conditions for wholesale access services for the period 2018–2021.
The main decisions relate to:

- repeal of TIM's qualification as an operator with Significant Market Power (SPM) in the access market – and, consequently, repeal of all ex ante regulatory obligations – in the municipality of Milan and confirmation of SPM operator qualification for the rest of the National territory;
- repeal of the obligation to guide the cost of bitstream copper and fiber service prices in 26 municipalities considered "contestable" (list to be updated annually); the possibility to apply, in the same municipalities, different VULA prices from the national average value set by the Authority starting from 2021, if certain conditions to be defined by the Authority are met, through a specific procedure put in place with resolution no. 481/19/CONS published on February 4, 2020;
- wholesale access rates for copper and fiber for 2018 equal to those of 2017, unless there is a limited reduction in the VULA FTTC fee;
- gradual increase in the full unbundling price (ULL) and bitstream price on copper in the 2019–2021 period;
- sub loop unbundling (SLU) price stability in the 2019–2021 period;
- gradual decrease in fiber access prices (VULA FTTC and FTTH) and price differentiation of the bandwidth, starting in 2021, depending on whether the access line is on a copper or NGA network;
- repeal of the current prior AGCom notification obligations and verification of ex ante "replicability" for flagship offers with speeds greater than or equal to 100 Mbit/s and, in other cases, reduction of prior notification period from 30 to 20 days;
- definition of the process and timing for the decommissioning of TIM exchanges;
- possibility of using vectoring in FTTC cabinets where alternative operators have not requested sub loop unbundling (SLU) lines;

- elimination of current asymmetries in procedures to change TIM network operator between processes to return to TIM and changing from TIM to alternative operators.

Infratel Tenders for the subsidizing of ultrabroadband networks

At the end of December 2018, the third and final call for coverage of ultrabroadband “white areas” not covered by the private operator plans was also assigned to Open Fiber.
The related Concessions for the Calabria, Puglia and Sardinia regions was signed on April 2, 2019.
Infratel launched a new consultation on ultrabroadband coverage plans to get an up-to-date picture of gray and black area coverage on January 18, 2019, following previous consultations.
The results of the consultation were published on May 15, 2019. Infratel held that further technical insight was necessary and will set up a technical working group with operators to investigate the technological evolution of FWA and VDSL solutions capable of reaching speeds in excess of 100 Mbit/s.
This monitoring activity will be used to allow the Italian government to assess the launch of public activities to promote a step change in the ultrabroadband coverage of “gray” areas not covered at 100 Mbit/s.
To prevent any overlap with ongoing private activities and, at the same time, to guarantee the widest coverage across Italy, Infratel will ask operators to enter into a contract on the declared coverage commitments before each notification of public activities.
At the meeting of the ultrabroadband committee (COBUL) on July 17, 2019, the Government approved the launch of the second phase of the ultrabroadband plan to take action in Italy’s gray areas and support the demand for ultra-fast services through special vouchers for consumer, business and public administration customer connectivity. The operating procedures for the planned activities will be defined by COBUL in consultation with MiSE/Infratel and submitted to the European Commission. On December 19, 2019, COBUL decided to revive the Government activity on the UBB plan and to convene once a month to monitor the progress of the process for defining measures for the infrastructure side and demand incentives.
At the COBUL meeting of January 23, 2020, a program document was approved which provides for the measures to be issued for the launch of a new tender for gray areas and the adoption of application vouchers by the end of summer 2020.
At the COBUL meeting of May 5, 2020, the Government approved an executive plan for public funding for a total amount of 2.7 billion euros, providing for the following interventions to support the development of UBB demand and infrastructure.

- School Plan 2020-23 (400 million euros) -> first 3,000 schools in 2020
  - connect 32,213 school complexes (81.4% of the total) to ultra broadband up to 1 Gbps with 100 Mbps guaranteed)
    - all middle and high school complexes throughout Italy
    - all primary and kindergarten complexes in "white areas"

- Voucher Plan (1,146 million euros) – ISEE (low income) Families from July 2020, other interventions from October 2020
  - Families with ISEE under 20,000 euros (286,542,816.30 euros): 500 euros (200 euros for connectivity + 300 euros for Tablet or PC on loan)
  - ISEE unlimited families (320,927,954.20 euro): 200 euros for connectivity of at least 30 Mbps (all technologies including satellite)
  - Companies > 30 Mbit/s (114,617,126.50 euros): 500 euros for connectivity of at least 30 Mbps (all technologies, including satellite)
  - Fiber companies (401,159,942.80 euros): 2,000 euros for connectivity up to 1 Gbits (fiber)

- Gray Areas Plan (1,126 million euros) -> Call and assignment by 2020
  - infrastructure of some industrial districts in the "gray areas" on a regional basis and municipalities with a higher concentration of businesses than the population.

On June 24, 2020, Infratel launched a new consultation on gray and black area coverage to identify gray areas for the implementation of the new activities established by the COBUL of May 5, 2020, in order to:
- monitor the maintenance of the coverage commitments undertaken, pursuant to point 65 of the Community Guidelines, by the operators who responded to the 2019 Consultation;
- gather evidence of new implemented or planned activities for the next three years.

Based on the results of the mapping update, the details of the activities will be established and the European Commission will be notified.

Wholesale mobile network markets

Mobile termination market analysis

On January 22, 2019, AGCom published its final decision on mobile network termination market analysis (resolution no. 599/18/CONS). In particular, AGCom established symmetric tariffs for all MNO and full MVNO operators for the period 2018–2021 (0.98 euro cents in 2018, 0.90 euro cents in 2019, 0.76 euro cents in 2020, 0.67 euro cents in 2021) and confirmed the absence of an obligation to check the termination prices for calls originating outside the European Economic Area (EEA); however, SMP operators cannot adopt termination rates that are higher than those applied to Italian operators by operators in non-EEA countries where rates are regulated.

Retail fixed-line markets

Universal Service

Net cost
Following ruling no. 4616/2015, published on October 2, 2015, in which the Council of State canceled decision no. 1/08/CIR of AGCom on the retroactive application of the new methodological criteria for calculating the net cost of the universal service (USO) relating to the 2004–2007 years, the Authority began the public consultation of the net cost of the total years 2004–2007 with resolution 89/18/CIR, published on July 3, 2018, and subsequent resolution no. 62/19/CIR, published on May 7, 2019. On September 11, 2019, the Authority published the final resolution concerning the Net Cost of Use for 2004–2007 (resolution no. 103/19/CIR) in which it recognized the existence of an unfair charge for TIM of a total of 113.4 million euros to be shared between all fixed-line and mobile operators. The share payable by the OAOs amounts to approximately 26.6 million euros, calculated net of installments already paid by the same operators, following the 2004 and 2005 procedures approved “illo tempore”. In relation to past disputes, still “in progress” to date, following ruling no. 3388/15 of the Council of State, published on July 7, 2015, on September 11, 2019, the Authority launched the public consultation procedure (resolution no. 102/19/CIR) for an in-depth fixed-mobile substitutability analysis, in line with the path outlined for the 2004–2007 years. In this context, ruling no. 6881 of October 8, 2019, in which the Council of State authorized the return of the shares paid by Vodafone to TIM, for the contested years (1999–2000 and 2002–2003). In light of the above-mentioned Council of State ruling, which completely reversed the Lazio TAR rulings no. 6458, 6459, 6461 and 6463 of May 23, 2018, in execution of which the public consultation pursuant to resolution no. 102/19/CIR was started, the Authority revoked the aforementioned resolution with decision 190/19/CIR.
On July 21, 2020, AGCom published the public consultation relating to the review of the inequity of the net cost of the universal service 1999–2009. In Resolution 263/20/CIR, the Authority defined a new approach to demonstrate the lawfulness of the participation of mobile operators at the net USO cost for the years in question. AGCom's view expressed in the consultation is to recognize *prima facie* the unfairness of the charge for the years 2002–2009. For the previous years 1999–2000, however, the Authority did not find the existence of an unfair charge for TIM.
As a result of this view, the aforementioned Council of State provision no. 6881, which imposed on TIM a refund of the sums paid by Vodafone, could lose its effectiveness for the years 2002–2003. The extension of the time period subject to renewal until 2009 was necessary following the recent ruling no. 2542/2020 with which the TAR accepted Vodafone's appeal, in terms of fixed-mobile substitutability. The opinions on the years 2004–2007, recently renewed by AGCom with resolution 103/19/CIR, and on which the TAR has not yet expressed an opinion also hang on the same issue.
On December 4, 2019, AGCom began certification activities for the Net Cost 2010–2013, to be carried out by the BDO S.p.A. company. The verification activities relating to the years 2010 and 2011 ended at the end of May 2020. On June 30, the 2012 annual audit activities kicked off and are expected to be completed by October.
In relation to the universal service quality objectives, in 2019, AGCom fined TIM twice, each time for an amount equal to 58,000 euros. Both fines were for the failure to reach, in different years, targets relating to the “Average operator response time to incoming calls”. The first of the two fines relates to 2017 for a non-compliance of 17” (identified by AGCom with resolution 103/19/CONS: The actual figures 87” vs. target of 70”). The second fine relates to the following year (2018) and in this case the non-compliance was 24” (identified by AGCom with resolution 438/19/CONS: The actual figures 94” vs. target of 70”).
For the resolution 103/19/CONS only, due to the failure to comply with some formal requirements, on June 18, 2019 TIM filed an appeal for cancellation before the Lazio TAR.
Furthermore, the Lazio TAR, with final judgment no. 3948/2018 – in acceptance of TIM's appeal no. 2661/08 – canceled decision no. 633/07/CONS, with which AGCom fined TIM for an amount equal to 116,000.00 euros due to the failure to comply in 2006 with the "Failure rate per access line" target. TIM is awaiting reimbursement from the State General Accounting Office.

Guidelines for voluntary withdrawal
With resolution no. 487/18/CONS, the Authority regulated the ways operators must manage dissolution and transfer methods for user contracts.
TIM challenged the resolution regarding the provisions that limit the right to fully recover the costs in case of withdrawal (discounts from promotions, product installments). The administrative judge dismissed TIM's appeal.

Freedom to choose Modems
With resolution no. 348/18/CONS, the Authority ratified the principle of user freedom to choose modems for Internet access.
TIM challenged the resolution in relation to the transitional provisions for customers who have an internet offer combined with a modem for a fee (sale and rental) in the months preceding the entry into force of resolution no. 348/18/CONS (December 1, 2018). Following the Council of State order at the end of 2018, which suspended the transitional provisions pending a hearing being set in the Lazio TAR, and which asked for the hearing set for

October to be brought forward, on January 29, 2019, the Lazio TAR confirmed the public hearing, already set for October 23, 2019. On January 28, 2020, the TAR rejected TIM's appeal. TIM appealed against the TAR judgment. In May 2020, TIM notified its customers who had signed up for an Internet access and installment modem purchase offer before December 1, 2019, that they had the option to sign up for an equivalent Internet offer without a modem and an allowance for the remaining installments. By signing up for the equivalent offer, the residual debt in installments on the customer's bill for the purchase of the modem would not be due, this did not entail any additional charges for the customer or implied changes to the financial and contractual terms and conditions for using the active services on the line.

Authority fees

AGCom contribution fee

On February 24, 2020, AGCom issued resolution no. 434/19/CONS relating to the payment of the AGCom contribution fee for the year 2020 (calculated on the 2018 financial statements figures). The guidelines for calculating the contribution fee are unchanged compared to the guidelines for calculating the 2019 contribution fee. For 2020, AGCom has confirmed the rate of 1.30 per thousand. On the basis of this new rate, TIM paid around 18.134 million euros under reserve.

Privacy and personal data protection

General Data Protection Regulation (GDPR) and Legislative Decree 101/2018

On May 25, 2018, the General Data Protection Regulation (Regulation (EU) no. 2016/679 – "GDPR") came into force.
Furthermore, on September 19, 2018, Legislative Decree no. 101 of August 10, 2018 entered into force, which brought the Code regarding the protection of personal data (Legislative Decree June 30, 2003, no. 196) in line with the provisions of the GDPR – EU Regulation 2016/679.
To ensure compliance of personal data processing with the GDPR within Group companies, TIM has carried out the activities provided in the adaptation plan.
Of the main changes, the following is noted:

- the appointment of a Data Protection Officer and establishment of related contact points for individuals with questions relating to the processing of their personal data;
- the review of the "System of rules for the application of legislation on personal data protection in the Telecom Italia Group" was completed in 2018 to bring TIM in line with the provisions of the GDPR, and revision of the same policy was completed for Group companies September 2019, as a consequence of the entry into force of Legislative Decree August 10, 2018, no. 101;
- the updating of the numerous policy notice texts on personal data processing, provided by TIM and the other Group companies to different types of Data Subjects (e.g. customers, employees, visitors).

A specific training project was put in place to raise awareness in the various company departments and illustrate the policies and procedures issued for applying the legislation on personal data processing. This training was provided during 2019.

COVID-19 Emergency

In light of the COVID-19 emergency, the Data Protection Authority issued provisions and clarifications relating to the processing of employees' personal data in the workplace.
TIM has ensured it is in compliance with the provisions through various activities. In particular:

- an ad hoc policy has been drafted relating to the processing of personal data collected through real time temperature checks of employees and all those who access company premises in accordance with the provisions of the Prime Minister's Decree of April 26, 2020;
- the self-certification to be submitted by employees, certifying whether in the last 14 days they have had contact with anyone who has tested positive for COVID-19 or coming from areas at risk according to the WHO guidelines, has been brought into compliance with the Data Protection Authority requirements. The declaration provides that only the necessary, adequate and relevant data regarding the prevention of COVID-19 infection is collected without requesting additional information in relation to the person who tested positive, specific locations visited or other details relating to the private sphere;
- guidance has been given regarding the processing of personal data of TIM employees and Group companies collected during serological tests and the related consents to allow third parties to process the information only if the test is positive.

Spectrum

In April 2020, AGCom published a public consultation on the renewal for the eight years until 2029 of the rights to use of the TIM, Vodafone and Wind/H3G FDD spectrum in the 2100 MHz band (2x15MHz for TIM and Vodafone, 2X5 MHz for Wind/H3G). AGCom's proposal for renewal costs for TIM is slightly less than 260 million euros and could be divided into annual installments.
In May 2020, AGCom published a public consultation on the end of GSM coverage obligations, currently set for June 30, 2022. AGCom's preliminary assessment is in favor of confirming this date, considering that the end of the GSM services provision is currently set for December 31, 2029 in Italy.
Also in May 2020, MiSE published a public consultation on end-of-sale GSM and UMTS devices considering the aforementioned end of GSM services provision and the possibility of migrating UMTS customers to LTE or 5G.
On June 30, 2020, the 5G pre-commercial trials ended with the 3.6–3.8 GHz spectrum portion referred to in the determined MISE directorate of March 16, 2017. As of July 1st, therefore TIM can offer commercial 5G services at 3.72-3.80 GHz throughout Italy.

Regulatory measures for COVID-19

Based on the government "Cura Italia" decree, on March 18, 2020, AGCom adopted a first package of measures aimed at guaranteeing telecommunication services; this package takes into account the current health emergency situation and growth in the consumption of services and network traffic.

Two of the four permanent technical working groups set up by AGCom concern:

- improvement and security of telecommunication networks and services; and
- protection and facilitation of the use of digital services by consumers.

In implementation of the Decree, which allows AGCom to derogate from some regulatory conditions to better deal with public interest issues during the current health emergency period, AGCom has defined measures to improve the conditions of TIM's offer of regulated network services, by providing:

- a temporary reduction in the regulated wholesale costs of the Ethernet band for copper and fiber access
- the maximum commitment for the accelerated supply of transport equipment and VLANs necessary for increasing the bandwidth and for following up the early opening of new NGA cabinets.

In addition, TIM must make its infrastructure available throughout Italy, responding to consumer requests without discrimination in relation to the country's technology and geographical areas.
AGCom has also asked all operators to make all possible efforts to contribute to the management of the state of emergency, indicating actions deemed relevant such as:

- trying to guarantee an increase in the average bandwidth per customer on the fixed network of at least 30% in the shortest possible time, where technically possible;
- making every effort, in the absence of coverage with an NGA fixed network and at the request of the condominium or the legal person responsible for the office, to activate, without any increase in costs until June 30, 2020, every possible access solution;
- recommend to final consumers that they use mainly fixed-line access at home (including wi-fi) so as not to overload the mobile network.

In relation to network adjustments, TIM has significantly increased bandwidth capacity both towards the Big Internet and on national nodes, improved mobile coverage and is increasing the coverage of the UBB fixed network.
In relation to the commercial offer for alternative operators, TIM has made price reductions available for the Ethernet band on the copper and fiber network, is managing requests for bandwidth increase received by the Other Authorized Operators (AOA) with a high priority and has allowed free and direct access to the TIM data network through public peering.
Finally, to counter the spread of COVID-19, TIM has defined an operating procedure for safely carrying out technical network works.
On the other hand, operators voluntarily proposed different measures to their customers. In particular, TIM has proposed free voice calls, free Gigabits and many other voluntary initiatives in support of remote working and distance learning.

Extension of the Golden Power rule to 5G technology services

Law Decree Law March 25, 2019, no. 22 and Law Decree July 11, 2019, no. 64

The Law Decree of March 25, 2019, no. 22 amends the Law Decree March 15, 2012, no. 21, converted, with amendments, by Law May 11, 2012, no. 56 and classifies 5G development as a strategic activity in relation to defence and national security, which requires stricter controls.
In particular, the following are subject to special powers:

a) the agreement of contracts or agreements for the purchase of goods or services relating to the design, construction, maintenance and management of 5G service networks;
b) the acquisition of high-tech components necessary for implementation or management;
c) factors indicating the existence of vulnerabilities that could compromise the integrity and security of networks and the data sent on them.

In particular, the agreement of contracts and acquisition of high intensity components from subjects outside the European Union, carry an obligation to notify the Prime Minister to allow a timely exercise of the veto power.
Failure to comply with this notification obligation carries a pecuniary administrative fine equal to twice the value of the transaction and in any event not less than 1 percent of the turnover of the last financial year.
The Law Decree also provides for the Prime Minister to adopt a decree (DPCM) to identify measures to simplify the notification methods.
In relation to this, on June 27, 2019, the Government launched a public consultation, for the eventual adoption of the Prime Ministerial Decree, to take contributions from interested parties on the following issues:

a) identification of simplified notification methods, possibly differentiated (for example, based on activity performed, services offered or type of infrastructure concerned);
b) definition of simplified procedures and terms for investigations, in relation to specific circumstances.

Contributions were submitted in July 2019.
On July 11, 2019, Law Decree no. 64, which introduced further changes to the provisions of Law Decree March 15, 2012 no. 21, was converted, with amendments, by the Law of May 11, 2012, no. 56.
In relation to 5G in particular, the new Decree introduces the obligation to notify the Prime Minister, making full disclosure within ten days of the finalization of a contract or agreement concerning the purchase of goods or services relating to the design, construction, maintenance and management of 5G networks or the acquisition of high-tech components for the aforementioned construction or management, when agreed with subjects outside the European Union, to allow the possible exercise of the veto power or the imposition of specific requirements or conditions.
The Prime Minister will communicate any possible veto or the imposition of specific requirements or conditions within forty-five days of notification.
Due to the failure to convert the aforementioned Law Decree no. 64 into law, the Golden Power regulations (both general and 5G specific) have been further integrated by the provisions of the Law Decree of September 21, 2019, no. 105, converted with the Law of November 18, 2019, no. 133, containing “Urgent provisions on the cybernetic national security perimeter”. In particular, it provides that the obligations aimed at ensuring cyber security also apply to companies subject to 5G specific notification obligations. Furthermore, the terms for the assessment of the possible exercise of special powers by the Government have been extended.
Law Decree no. 23 of April 8, 2020 (adopted with amendments by law no. 40 of June 5, 2020) substantially amended the general Golden Power regulation: also in relation to the communications sector, the obligation to notify of participations by foreign entity companies, including those outside the European Union, has been extended, in cases where the transaction is likely to determine the control over the company in which the equity investment was purchased.

BRAZIL

Revision of the model for the provision of telecommunications services

In April 2016, the working group composed of the Ministry of Science, Technology, Innovation and Communications (MCTIC), now called the Ministry of Communications (Minicom), and Anatel (Brazilian National Telecommunications Agency) published its final report with a “diagnosis” on the telecommunications industry and proposed guidelines for the revision of the Brazilian regulatory model. A bill (PLC 79/2016) was then presented to the National Congress of Brazil to propose amendments to the General Telecommunications Law.
Law 13.879 was approved in 2019 and entered into force on October 4, establishing a new regulatory environment for the regulation of telecommunications in Brazil. This is the most significant change in 20 years.
The new telecommunications framework allows fixed-line licensees to adapt their contracts from a concession scheme to an authorization scheme. This transition from concession to authorization must be requested by the licensee and requires the approval of the Anatel. In return, licensees must, among other conditions, make a commitment to investment in expanding fixed broadband telephony services to areas with no adequate competition for these services, in order to minimize inadequacies and inequalities between areas of Brazil.

The change also affects the roles for authorizing the use of radio frequencies, establishing subsequent renewals (currently limited to only one) and allows the exchange of radio frequencies between operators (secondary spectrum market).
In June 2020, Decree 10402 was published, which governs the procedure for adapting the concession to the authorization regime, as well as the definition of the criteria for calculating investment commitments. The Decree also established guidelines for the extension of radio frequency authorization, which will be held by Anatel to guarantee greater security for investments in the sector.
Another series of important rules was established by Decree 9612/2018 ("Connectivity Plan"), with a series of guidelines for the adaptation of conduct terms, the onerous concession of spectrum authorization and regulatory acts in general, including: (i) expansion of high capacity telecommunications transport networks; (ii) increased coverage of mobile broadband access networks; and (iii) broadening the coverage of fixed broadband access network in areas with no Internet access through this type of infrastructure. This Decree also establishes that the network resulting from the commitments must be shared from the moment it enters into service, except where there is adequate competition in the relative reference market.
In relation to the deadlines for the development of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments (as identified by Anatel and approved by the MCTIC) will focus primarily on the expansion of mobile and fixed-line broadband networks and on specific areas of the country. Telecommunications networks built under the investment plan will have shared access.

Revision of Competition Rules

In November 2012, the Brazilian regulator Anatel introduced instruments for the market analysis, the identification of operators with significant market power (SMP) and the consequent imposition of ex-ante obligations (*Plano Geral de Metas de Competição* – PGMC).
Anatel has established a number of asymmetrical obligations on all markets for operators with a Significant Market Power (SMP).
In July 2018, Anatel published the new PGMC revising some points and defining two new markets: (i) interconnection for mobile services; and (ii) high capacity data transmission.
TIM Brasil has been identified as the SMP operator for: (i) mobile network terminals; (ii) national roaming; and (iii) high capacity data transport (in five municipalities).
The measures applied to the SMP operator in these markets include the obligation for non-SMP operators to offer national roaming services. The obligation for access to the copper network has been maintained (e.g. leased lines, bitstream and full unbundling) was maintained.
Since 2016, fixed interconnection rates have been based on a cost-oriented approach. In December 2018, Anatel published the laws that establish the MTR (Mobile Termination Rate) that will be valid from 2020 to 2023.

Revision of the Service Quality Regulation

In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a reactive approach to standards. In this new model, quality is measured on the basis of three indicators – a Service Quality Index, a Perceived Quality Index and a User Complaints Index – and operators are classified into five categories (A to E). Based on the standards' responsive approach, Anatel will be able to take measures based on specific cases, including consumer compensation, the adoption of an action plan or the application of precautionary measures to ensure quality standard improvements.
The new regulation is scheduled to enter into force by 2021; until Anatel sets up the Working Group, operators and the support body for quality assurance (ESAQ) will define the objectives, criteria and reference values and Anatel will monitor the indicators that guarantee analogy with the new ones introduced in the new RQUAL. The criteria and reference values will be established in the next 12 months by the Working Group.

700 MHz and Analog TV switch off

In September 2014, TIM won the tender for the award of the 700 MHz (4G/LTE) band frequencies, for a price of 1.7 billion reais, and with additional commitments of 1.2 billion reais (in four annual installments, adjusted for inflation) as a contribution to the consortium established by the tender ("EAD") for all the operators (TIM, Algar, Claro and Vivo) awarded the contract for managing the freeing up of the 700 MHz band through the switch off of analog TV, the redistribution of channels and the clean-up of interference. To that end, the first payment (370 million reais) was made in April 2015 and another two payments (for a total of 860 million reais) were both made in January 2017, while the final installment (142 million reais) was duly paid in January 2018.
The spectrum for mobile traffic was released in 2016, and in June 2019 the availability for all municipalities was guaranteed, meaning that the entire Brazilian population can be covered by 700 MHz LTE.

Throughout 2020, EAD will have to meet the remaining auction obligations, concluding the relocation of broadcasters and provisions on interference solutions relating to completion of the switch off process and the full availability of the spectrum for mobile operators.

"Marco Civil da Internet" and Network Neutrality

The "Marco Civil da Internet" (MCI), approved in April 2014 by Brazilian Law no. 12965/2014, defined network neutrality as the "duty to treat different data packages in the same way, without distinction based on content, origin and destination, service, terminal or application". On May 11, 2016, Brazilian Presidential Decree no. 8771/2016 was published, which regulates exceptions to the principle of net neutrality, set out in article 9 of the mentioned law.

In August 2017, the oversight board ("GS") of the Administrative Council for Economic Defense (CADE) handed down a decision in favor of Brazil's mobile TLC providers, which excluded the imposition of fines in relation to a preliminary investigation into alleged unfair competition in "zero rating" offers and promotions on Internet data consumption. The oversight board heard the depositions of various parties, including the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel, and concluded that Internet business models should not be banned *ex ante*, but instead should be monitored comprehensively to prevent any cases of unfair competition.

Strategic Digital Transformation and the Internet of Things

In March 2018, the E-Digital Decree 9319/2018 was published, it identified about 100 strategic actions to encourage competition and the country's level of online productivity, as well as to increase connectivity and digital inclusion levels. These actions aim to address the digital economy's main strategic issues, including connectivity infrastructure, data use and protection, the Internet of Things and cybersecurity.
The Decree on the National Plan for the Internet of Things (Decree 9854/2019) was published in June 2019, to regulate and promote this technology in Brazil. The Decree describes the Internet of Things (IoT) as the "infrastructure integrating the value-added services offer with the ability to physically or virtually connect things with devices based on existing information and communication technology and their evolution, through interoperability". The Decree lists the following topics, defining them as necessary to further support the National Plan for the Internet of Things: (i) science, technology and innovation; (ii) international integration; (iii) education and professional training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (Iv) economic feasibility.

Data protection

On August 14, 2018, the Brazilian President promulgated the General Data Protection Law (Law 13709/2018). The new law, as promulgated by the President, is closer to the GDPR, including significant extra-territorial application and considerable fines of up to 2% of the Company's global turnover of the previous financial year.
In December 2018, Provisional Measure 869/2018 passed by the former President amended Law 13709 to create the National Data Protection Authority (ANPD), within the structure of the Presidency of the Republic, which implies greater control by the State and, among other topics, extending the entry into force of the Law to 24 months (August 2020). By this date (August 2020) all legal entities will be required to adapt their data processing activities to the new rules.
In July 2019, Provisional Measure 869/2018 was converted into Law 13853, which provides for the maintenance of the ANPD, as a federal public administration body, part of the executive branch, with a transitory nature, for at least 2 years, when it may be transformed, by the executive branch, into an indirect federal public administration company".
On June 10, 2020, Law 14010 was approved and postponed the entry into force of the Data Protection Act (LGPD) until August 2020 and the applicability of administrative sanctions to August 2021. In May 2020, President Bolsonaro issued Provisional Measure 959, which postponed the entry into force of the LGPD until May 3, 2021.
Given that the Provisional Measure has yet to be approved by Congress, the date of entry into force of the LGPD is still under discussion.

CORPORATE BOARDS AT JUNE 30, 2020

BOARD OF DIRECTORS

The Ordinary Shareholders' meeting of TIM, held on May 4, 2018, appointed a new Board of 15 Directors and for a three-year term of office (up to the approval of the financial statements at December 31, 2020). At its first meeting on May 7, 2018, the Board of Directors appointed Fulvio Conti as its Chairman, and Amos Genish as Chief Executive Officer of the Company.
At the Board of Directors'meeting held on July 24, 2018, the director Dante Roscini was appointed Lead Independent Director, tasked with supporting the chairman (an independent) in coordinating the board's work, and with the powers and responsibilities identified in the Borsa Italiana Corporate Governance Code.
In the meeting of November 13, 2018, the Board of Directors revoked all the powers granted to the director Amos Genish, provisionally assigning them to the Chairman of the Board of Directors, Fulvio Conti; on November 18, 2018, the Board of Directors appointed Luigi Gubitosi as Chief Executive Officer and General Manager, granting him executive powers.
On February 21, 2019, the Board of Directors resolved to override the exclusion of the powers already assigned in November 2018 to the Head of Security from the perimeter of powers of the Chief Executive Officer, Luigi Gubitosi, as Security Chief Executive Officer pursuant to the regulations Golden Power.
On June 27, 2019, the Board of Directors took note of the resignation of Amos Genish as Director, unanimously co-opting director Franck Cadoret in his place.
On September 26, 2019, the Board of Directors took note of the resignation of Fulvio Conti as Chairman and Director and at the meeting of October 21, 2019 co-opted Salvatore Rossi, appointing him Chairman.
The Shareholders' Meeting of April 23, 2020 resolved to confirm the directors of the company (expiring at the approval of the financial statements at December 31, 2020) Messrs Franck Cadoret and Salvatore Rossi.
The Board of Directors meeting held at the conclusion of the Shareholders' Meeting resolved to confirm Mr. Salvatore Rossi as Chairman of the Board of Directors and Mr. Franck Cadoret as a member of the Sustainability and Strategies Committee.

The current power structure of the Company provides:

- to the Chairman, the powers and responsibilities contemplated by law, the Articles of Association and corporate governance arrangements;
- to the Chief Executive Officer, all powers necessary to perform acts pertinent to the Company's business, except for the powers reserved by law and the Articles of Association to the Board of Directors.

The composition of the Company's Board of Directors at June 30, 2020 was therefore:

Chairman	Salvatore Rossi (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Alfredo Altavilla (independent) Paola Bonomo (independent) Franck Cadoret Giuseppina Capaldo (independent) Maria Elena Cappello (independent) Massimo Ferrari (independent) Paola Giannotti de Ponti (independent) Marella Moretti (independent) Lucia Morselli (independent) Dante Roscini (Lead Independent Director) Arnaud Roy de Puyfontaine Rocco Sabelli (independent) Michele Valensise (independent)
Secretary to the Board	Agostino Nuzzolo

The following board committees were in place at June 30, 2020:

- **Control and Risk Committee:** composed of the Directors: Paola Giannotti de Ponti (Chairman), Massimo Ferrari, Marella Moretti, Lucia Morselli and Michele Valensise;
- **Nomination and Remuneration Committee**: composed of the Directors: Alfredo Altavilla (Chairman), Paola Bonomo, Giuseppina Capaldo, Rocco Sabelli, and Michele Valensise;
- **Related Parties Committee:** composed of the Directors: Lucia Morselli (Chairwoman), Giuseppina Capaldo, Maria Elena Cappello, Marella Moretti, and Dante Roscini;
- **Sustainability and Strategies Committee** (renamed by the Board of Directors on March 10, 2020, which amended the mission of the Strategic Committee, including the task of checking the consistency of Telecom Italia's objectives and management with environmental, social and corporate sustainability criteria)**:** made up of the Chairman of the Board of Directors, Salvatore Rossi, the Chief Executive Officer, Luigi Gubitosi, and the Directors Paola Bonomo (from March 10, 2020), Franck Cadoret (confirmed on April 23, 2020), Maria Elena Cappello (from March 10, 2020), Arnaud Roy de Puyfontaine, Massimo Ferrari and Rocco Sabelli.

BOARD OF STATUTORY AUDITORS

The Ordinary Shareholders' Meeting of April 24, 2018 appointed the Company's Board of Statutory Auditors for a term of office that will end with the approval of the 2020 financial statements.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Roberto Capone
Acting Auditors	Giulia De Martino
	Anna Doro
	Marco Fazzini
	Francesco Schiavone Panni
Alternate Auditors	Andrea Balelli
	Antonia Coppola
	Franco Dalla Sega
	Laura Fiordelisi

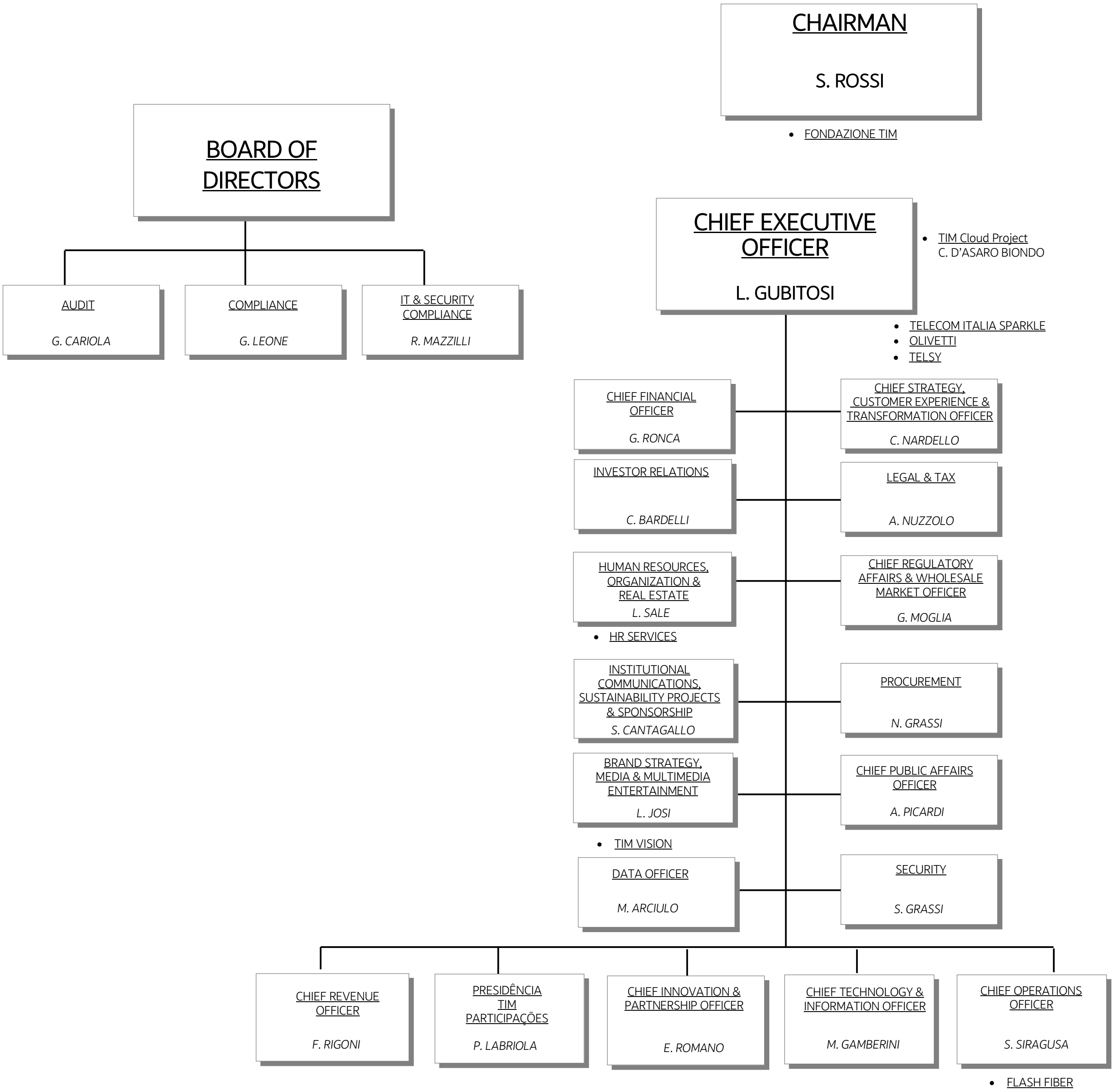
INDEPENDENT AUDITORS

The engagement for the independent auditing of the financial statements of TIM S.p.A. for the nine-year period 2019–2027 was awarded to EY S.p.A. by the Shareholders' Meeting of March 29, 2019.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

At the meeting of May 20, 2019, the Board of Directors appointed Giovanni Ronca (Head of the Group Administration, Finance and Control Function) as the manager responsible for preparing the financial reports of TIM S.p.A..

MACRO-ORGANIZATION CHART



INFORMATION FOR INVESTORS

SHARE CAPITAL OF TIM S.p.A. AT JUNE 30, 2020

Share capital	11,677,002,855.10 euros
Number of ordinary shares (without nominal value)	15,203,122,583
Number of savings shares (without nominal value)	6,027,791,699
Number of TIM S.p.A. ordinary treasury shares	35,179,709
Number of TIM S.p.A. ordinary shares held by Telecom Italia Finance S.A.	126,082,374
Percentage of ordinary treasury shares held by the Group to total share capital	0.76%
Market capitalization (based on June 2020 average prices)	7,735 millions euros

On May 25, 2016, the Shareholders' Meeting approved amendments to the company name, introducing the name "TIM S.p.A." as an alternative to "Telecom Italia S.p.A.".

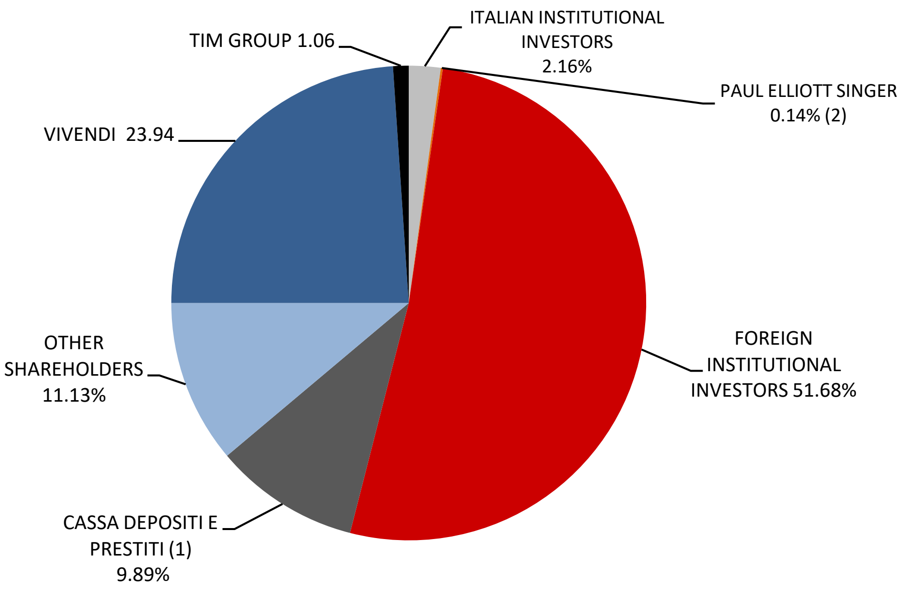
TIM S.p.A. ordinary and savings shares are listed on the Italian stock exchange (FTSE index), whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index).

	TIM-Telecom Italia		**Tim Participações**
Code	ordinary shares	savings shares	
Stock exchange	IT0003497168	IT0003497176	BRTIMPACNOR1
Bloomberg	TIT IM	TITR IM	TIMP3 BZ
Reuters	TLIT.MI	TLITn.MI	TIMP3.SA

Ordinary shares of Tim Participações S.A. were also listed on the NYSE (New York Stock Exchange); share prices are set through ADS (American Depositary Shares) representing 5 ordinary shares of Tim Participações S.A..
From October 8, 2019, the deregistration of TIM S.p.A. securities, previously listed on the NYSE (through ordinary and savings American Depositary Shares), took effect with the consequent end to the information obligations for TIM pursuant to U.S. Securities Exchange Act of 1934.
The had no consequences for the listing and trading of TIM's ordinary and savings shares on the Borsa Italiana. The decision to delist from the NYSE was made with the aim of simplification and cost saving, without prejudice to the high standards of corporate governance, a solid internal control system and transparent economic and financial information (including the publication on the www.gruppotim.it website of the English translations of financial statements, press releases and other regulated information material).

SHAREHOLDERS

Shareholder composition according to the Shareholders Book at June 30, 2020, supplemented by communications received and other available sources of information (ordinary shares):



(1) Evidence of the ownership interests for the TIM shareholders' meeting on April 23, 2020.

(2) With effect from May 12, 2020, Paul E. Singer communicated to Consob and the Company, pursuant to art. 120 of Legislative Decree 58 of February 24, 1998, to have reduced his shareholding by way of indirect ownership with voting rights to 0.14% of TIM's ordinary share capital.

MAJOR HOLDINGS IN SHARE CAPITAL

Taking into account the entries in the Shareholders Book, communications sent to Consob and to the Company pursuant to Italian Legislative Decree 58 of February 24, 1998, Article 120, and other available sources of information, the relevant holdings of TIM S.p.A.'s ordinary share capital are as follows:

1) **Results of investments above the threshold of 3% of the ordinary share capital (*) at June 30, 2020 from communications pursuant to art. 120 of Legislative Decree no. 58 of February 24, 1998**

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.94%
Cassa Depositi e Prestiti S.p.A.(**)	Direct	5.03%
Canada Pension Plan Investment Board (***)	Direct/Indirect	3.13%

(*) With resolution no. 21326 of April 9, 2020 (which repealed the previous resolution no. 21304 of March 17, 2020), Consob provided, pursuant to art. 120, paragraph 2-bis, of Legislative Decree 58 of February 24, 1998, for a period of three months starting from April 11, 2020 – and unless revoked earlier – the additional 1% threshold, beyond which the obligation arises to communicate to the investee company and Consob, pursuant to art. 120, paragraph 2 of Legislative Decree 58 of February 24, 1998. As a result of communications made pursuant to the aforementioned resolutions, Consob has disclosed the following equity holdings in TIM's ordinary share capital held directly:
- Norges Bank 1.053% – transaction date June 8, 2020
- Partners Telecom Sarl 2.987% – transaction date March 18, 2020.

(**) Ownership interest at February 18, 2019.

(***) From the notification made pursuant to the law, at January 21, 2019, the indirect ownership interest is 0.03%, held through the subsidiary CPPIB Map Cayman SPC.

With effect from April 30, 2020, Paul E. Singer communicated to Consob and the Company, pursuant to art. 120 of Legislative Decree 58 of February 24, 1998, to have reduced his shareholding in indirect ownership in TIM with voting rights from 6.976% to 0.265% on April 28, 2020; with effect from May 12, 2020, moreover, he communicated a further reduction of this shareholding to 0.136%. In both of the aforementioned communications, Paul E. Singer reported, pursuant to art. 119 of the Consob Issuers Regulation, a long participation through the stipulation by Elliott International L.P. and Elliott Associates L.P of equity swap contracts with JP Morgan expiring on May 30, 2023, of 4.862% of TIM ordinary share capital, thereby accounting for an aggregate holding, initially equal to 5.127% of TIM's ordinary share capital, reduced to 4.998% on May 12, 2020.

2) Other available sources of information

- From the evidence of the ownership interests disclosed for the TIM shareholders' meeting of March 29, 2019, confirmed on the in the meeting of April 23, 2020, the ownership interest of Cassa Depositi e Prestiti S.p.A. increased to 9.89% of ordinary share capital;
- Elliott International LP and Elliott Associates LP participated at the TIM Shareholders' Meeting of April 23, 2020, with a total number of shares equal to 4.86% of the ordinary share capital;
- Canada Pension Plan Investment Board participated at the TIM Shareholders' Meeting on April 23, 2020 with a direct ownership interest of a number of shares equal to 3.26% of the ordinary share capital; together with the indirect ownership interest notified pursuant to the law, the total direct and indirect ownership interest was at that date equal to 3.29% of the ordinary share capital.

COMMON REPRESENTATIVES

- The special meeting of the savings shareholders held on May 24, 2019 renewed the appointment of Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2021.
- With a decree of July 3, 2020, the Court of Milan appointed the lawyer Antonio Franchi common representative of the bondholders for the loan "Telecom Italia S.p.A. 2002–2022 at Variable Rate, Special Open Series, Reserved for Subscription to TIM Group Personnel, in post and retired". The Bondholders' Meeting, convened for the appointment of the common representative on April 16, 2020, was not quorate.

RATING AT JUNE 30, 2020

At June 30, 2020, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Stable
MOODY'S	Ba1	Negative
FITCH RATINGS	BB+	Stable

WAIVER OF THE OBLIGATION TO PUBLISH DISCLOSURE DOCUMENTS FOR EXTRAORDINARY OPERATIONS

On January 17, 2013, the Board of Directors of TIM S.p.A. resolved to exercise the option, as per article 70 paragraph 8 and article 71 paragraph 1-bis of the Consob Regulation 11971/99, to waive the obligations to publish disclosure documents in the event of significant operations such as mergers, demergers, capital increases by means of the transfer of assets in kind, acquisitions and disposals.

RELATED-PARTY TRANSACTIONS

In accordance with Article 5, paragraph 8 of Consob Regulation 17221 of March 12, 2010 concerning "Related-party transactions" and the subsequent Consob Resolution 19974 of April 27, 2017, no significant transactions were conducted in the first half of 2020, as defined by Article 4, paragraph 1a of the aforementioned regulation, that had a material impact on the financial position or the performance of the TIM Group.

In addition, there were no changes or developments with respect to the related party transactions described in the 2019 Report on Operations which had a significant effect on the financial position or on the performance of the TIM Group in the first half of 2020.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website www.gruppotim.it, under the Group section/Governance System channel.

For information on transactions with related parties, see the Financial Statement Statements and the Note "Related party transactions" of the Half-Year Condensed Consolidated Financial Statements of the TIM Group at June 30, 2020.

ALTERNATIVE PERFORMANCE MEASURES

In this Interim Financial Report at June 30, 2020 of TIM Group, 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 also presents the following additional alternative performance indicators:

- **EBITDA adjusted After Lease ("EBITDA-AL"),** calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16 (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 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 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), 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 Interim Financial Report provides a reconciliation between the "reported figure" and the "organic excluding the non-recurring component" figure.

- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful 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 Interim Financial Report includes a table showing the amounts taken from the statement 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

INNOVATION, RESEARCH AND DEVELOPMENT

TIM is continuing with the deployment of its 5G network and establishing 5G based commercial services including in collaboration with relevant partners. In addition to being functional to achieving these objectives, research and development activities in the first 6 months of 2020, significantly contributed to the initiatives to deal with the COVID-19 emergency that hit Italy.

TIM's commitment to innovation

The first six months of 2020, saw a significant restructuring of TIM's Innovation Department, which became independent reporting directly to Top Management, confirming and strengthening its role as a central element in responding to technological, market and competitive changes.
The Innovation Department, strengthened by TIM Open Labs, with offices in Turin, Milan, Rome and Catania, innovation development centers, established through the integration of TIM's technological laboratories with the TIM WCAP corporate offices, focuses on activities which create a competitive advantage for the company in terms of business, technological innovation and recognition of the brand's innovative value, both with a view to growing the top line and increasing the company's efficiency.
TIM has strengthened its commitment to the Open Innovation paradigm as an operating model by focusing on:

- establishing a large ecosystem of partners (start-ups, companies, universities, public administration...), to encourage meeting "demand" with "supply", so TIM can be a key element in the value chain,
- establishing lasting relationships with strategic partners, which can contribute to the achievement of TIM's objectives;
- favoring an approach focused on the Platform model, in which TIM provides the functions used by the subjects (both internal and external) involved in the innovation process to create new digital products/services. The platform makes TIM's distinctive technical expertise available in a structured way.

Leveraging on the Open Innovation paradigm, new life has been given to the 6 cross-functional innovation programs(1) launched in 2019, based on the fundamental aspects of evolution of the fixed and mobile network towards 5G standards and UltraBroadBand, service platforms and new operations systems, drawing on resources from the entire Innovation structure, based on its expertise.

Network innovation and 5G based services: partnerships

In this context, collaborations with other ecosystem players represent a fundamental lever to develop the intelligent infrastructure on which the global economy of the future and the services enabled by it will be based.

Following the renewal of the MoU in June 2019 with the Municipality of Turin, the Torino City Lab project also continued in 2020. In this case, TIM is a TLC partner, for the establishment of simplified trial areas for digital services to allow for fruitful strategic collaboration to continue in the dissemination phase of the commercial 5G service. The main experimental activities in progress concern the Smart Roads project, in which TIM is a work team leader (with the partners Italdesign, Daimler, Luxoft, 5T, Fondazione Links, Turin Polytechnic) for the development of connected car scenarios focused on road safety and accident prevention). In addition, TIM is the technological enabler of the open air Doralab (one of a kind at national level), where the City, in conjunction with ENAC, enables companies to trial innovative drone-based applications.
In March 2020, following the COVID-19 emergency, the project was renamed "Torino City Love". In this context, a series of services have been activated in the Turin area to support the weaker sections of the population (the elderly, sick, minors...). In collaboration with the TIM WCAP ecosystem startups, queue elimination services have been set up in pharmacies and supermarkets (UFirst), home personal care services (UGO), recreational entertainment services for children (e.g. Mashmellow), and, in collaboration with other entities such as the Consorzio Competence Industry Manufacturing 4.0, some training services for the industrial sector.
In March-May 2020, two MoUs were signed by TIM: one with Casa Oz and another with some hospital departments of the Città della Salute (S. Anna and Regina Margherita Hospitals) for trials of robotic telepresence services, which allow new mothers, minor (children and adolescents) inpatients with cancer or COVID-19 positive, health workers and video educators to talk to family members or other specialized doctors, who, due to the emergency, cannot be physically close to those on the ward or in the Casa Oz.

The first half of 2020 saw the collaboration begun in 2019 within the MISE Competence Center for Industry 4.0 (Competence Industry Manufacturing 4.0) continue, where TIM Open Labs collaborate with the Polytechnic and University of Turin, as well as with another 23 Turin companies for the research, testing and diffusion of Industry 4.0 solutions, including 5G, to SMEs. TIM also participated in the CIA Call PRIA 4.0 (Applied Industry 4.0 Research Projects), in partnership with Reply and Prima Industrie with the 5G For Factory (5GFF) project, one of the accepted projects.

On June 30, 2020, TIM launched the TIMWCAP "Smart Space" hackathon which, in collaboration with Google and Codemotion, brought hundreds of developers and exponents together from the world of startups to create new solutions for intelligent spaces, including in online webinars held by TIM experts mostly on issues concerning the Edge, Cloud and Quantum Computing. A real innovation marathon that involved the country's entire innovation community, from startuppers to software developers, from digital designers to marketing experts and many others. The purpose of the event was to design new intelligent spaces, or innovative services to improve our living spaces, with particular attention on the new normal following the COVID-19 emergency.

The TIM Open Lab in Turin will also be home to the construction of one of the data centers under the agreement between TIM and Google Cloud, signed in March 2020, for a technological collaboration for the creation of innovative public, private and hybrid cloud services to improve TIM's offer of technological services.

Operating activities to develop the technology and 5G trials, and to harness innovative solutions related to Cloud Robotic, Telepresence and Edge Computing, are accompanied by structured technical communication activities that range from the TIM Technical Bulletin editorial plan to promotions with the dissemination of scientific information. In particular, in the first six months of 2020, there were face-to-face events such as those related to the MiSE inspection of Bari Matera5G, or the "Smart Space" TIMWCAP hackathon and press video conferences such as that of "Torino City Love".

Innovation and research with universities

Research and University are key words for TIM's two pronged approach, which has set it apart for over 50 years for its focus on innovation and development of partnerships with the Italian academic world.
2020 sees TIM focused on the establishment of a real "Open Innovation Ecosystem" in collaboration with universities to develop new Open Labs, Research Projects, also with PHD contributions to put in place training and also to encourage the spread of new technology trends, heralding new growth opportunities within an increasingly global market..

TIM, which employs around 80 TIM technicians, 85 university researchers on specific activities, expects to make an economic commitment in excess of one million euros for 2020 and has also entered into three-year agreements with some Italian universities to boost and ensure continuity for research and in particular with:

- Turin polytechnic, with which 24 research projects are being defined on specific main topics such as Augmented Analytics, 5G Intensive Services, Cyber Security, Privacy and Ethic, Customer Hyper Experience, Cloud Native & Edge Powered, Space Communication, Hype- Next Technology, 5G to 6G. The focus on these technology trends commits TIM to strengthening an innovation ecosystem with the polytechnic by making an investment of around 755,000 euros.
- The academic partnership defined within the MISE Bari-Matera 5G project, which involved TIM together with CNR, the University of Bari, the Polytechnic of Bari, the University of Basilicata, Scuola Superiore Sant'Anna di Pisa (SSSA) and the University of Salento, continues its commitment also for 2020, focusing mainly on the theme of the development of application scenarios enabled by 5G technology. In 2020, the expected investment is around 320,000 euros for 9 research projects with the 6 universities involved.
- TIM also intends to direct research collaboration with UniCatania to explore and implement innovative architectural solutions and services that exploit the benefits of the three 5G pillars:
  1) Massive IoT, which concerns all 5G-enabled devices under the same coverage;
  2) Enhanced Mobile Broadband (EMBB) for very high bandwidth communications such as those required by augmented reality;
  3) Critical Communications, i.e. all those with very stringent latency requirements (e.g. self-driving cars, drones or telemedicine).

  The general objective is to improve the know-how and assets for initiatives involving local (e.g. Municipality) and national actors (participation in MiSE tenders). There are 4 research projects for a value of 160,000 euros for 2020.
- Another important step in the support for research and innovation is TIM's path with the 36th PHD cycle for the 2020-21 period, authorized and backed by the CEO. In particular, the Innovation department has provided HRO with technical collaboration to propose research topics for establishing 12 scholarships (in total HRO has provided 22 PHDs for the 36th cycle), ensuring the synergy between Innovation and HRO is among training and research activities. The universities chosen are the Polytechnic of Turin, the Polytechnic of Milan, the University of Milan, the University of Trento, the Scuola Superiore Sant'Anna of Pisa, the Federico II University of Naples, the University of Catania and the Alma Mater Studiorum of Bologna.

RESEARCH AND DEVELOPMENT IN BRAZIL

The Innovation & Technology department, which reports to the CTIO of TIM Participações, is responsible for research and development activities. The main areas of activities are: the definition of the Network's technological innovation, changes in needs of new technologies and devices and architectural guidelines along with the development of strategic partnerships, in order to develop new business models and guarantee developments in network infrastructure, in line with company strategy.

5G in Brazil

In June 2019, TIM Participações chose three cities, Florianópolis, Santa Rita do Sapucaí and Campina Grande to test 5G technology, focused on the development of new products and services enabled by this new technology.

In September 2019, TIM transformed the building where a social inclusion and technological training project is currently underway into CASA TIM 5G. The space, which was also used as student accommodation, was operational during HackTown 2019, an innovation festival sponsored for the first time, which takes place every year in Santa Rita do Sapucai (state of Minais Gerais).

CASA TIM 5G used several environments to interactively demonstrate the accessible solutions with the arrival of the fifth generation technology, installed in collaboration with Ericsson. On site, visitors experienced real 5G immersion and were able to see how technology will affect their daily lives in the future – in areas such as health, education, safety, entertainment and games – and the environment in where they live and work, with demonstrations of smart cities, industry and more.

The demonstrations used 5G technology, being tested, installed through the TIM network, under specific Anatel license. The space hosted demonstrations of developments in collaboration with Ericsson, Qualcomm, Cisco and Inatel, as well as ABB, Intel and LG.

In the first half of 2020, Anatel began testing the coexistence between the 3.5 GHz band and C-band satellite services, but the test was interrupted by the corona virus pandemic. As soon as Anatel finishes the test, the auction rules will be set and finally established. To date, there is still no formal program for the 5G offer.