



TIM: BOARD OF DIRECTORS APPROVES FINANCIAL REPORT AT MARCH 31, 2021

Organic results:

EQUITY FREE CASH FLOW AFTER LEASE UP 57% YOY IN Q1, TO € 0.3 BN

REVENUES STABLE YOY

DEBT REDUCTION CONTINUES IN LINE WITH THE PLAN OBJECTIVES: -€ 5.6 BN YOY (-€ 5.1 BN ON AN AFTER LEASE BASIS)

AGREEMENT SIGNED WITH DAZN FOR DISTRIBUTION OF THE 'SERIE A' FOOTBALL CHAMPIONSHIP ON TIMVISION

- **Net Financial Debt After Lease: € 16.6 bn (-€ 5.1 bn YoY, -€ 2 bn QoQ)**
- **Revenues at € 3.8 bn in line with the previous year**
- **Domestic fixed line revenues growing (+3.0% YoY)**
- **Accelerated reduction of operating costs in the domestic market (-8.9% YoY for the addressable base)**
- **Organic EBITDA: € 1.6 bn (-1.3% YoY) in line with the plan forecasts**
- **Net profit, excluding non-recurring items, stood at € 0.1 bn**
- **Agreement with DAZN to bring all Serie A matches to TIMVISION will kick off from July. Besides generating additional revenues, it will help to speed up the adoption of UBB connections and strengthen the convergence strategy, consolidating TIMVISION's positioning as the leading aggregator of premium television content in the country**
- **€ 1.8 bn proceeds from the completion of the agreement for KKR Infrastructure to acquire a stake in FiberCop**
- **TIM is one of the first operators in Europe and the only one in Italy to launch an Open RAN (Open Radio Access Network) development program to speed up the implementation of new generation mobile networks (5G, Cloud and Edge Computing)**
- **Agreement signed with the trade unions, at the Ministry of Labor, for the 2021-2022 expansion contract**
- **After issuing its first Sustainability Bond, TIM joined the Nasdaq Sustainable Bond Network, confirming its commitment to achieve the ESG plan announced to the market**
- **The Revolving Credit Facility (RCF) was renewed in May until 2026 for the sum of € 4 bn, an amount in line with the group's current reduced gross debt size. TIM has introduced sustainability targets on the new credit line making it the largest ESG Facility in the Telco sector.**

Rome, May 19, 2021

TIM's Board of Directors met today under the chairmanship of Salvatore Rossi and approved the Financial Report at March 31, 2021.

In the first quarter, the new 2021-2023 'Beyond Connectivity' strategic plan was launched which accelerated the development of digital services and strategic agreements in both the consumer and business markets. At the same time the process of stabilizing revenues and operating indicators continued, in addition to cash generation and debt reduction.

Net financial debt as at March 31, 2021 fell by 5,590 million euros YoY, (5,120 million euros on an After Lease basis) to 21,155 million euros, **(16,591 million euros on an After Lease basis)**. **Equity free cash flow** contributed 469 million euros **(307 million euros on an After Lease basis)**.

Further significant progress was recorded in the implementation **of strategic initiatives**:

- **Development of the convergent offer and TIMVISION:** TIM and DAZN have entered into a partnership that will bring to TIMVISION dedicated offers for the DAZN service, the only streaming platform that will broadcast all the 'Serie A' matches for the 2021-2024 seasons to an audience of around 5 million households, until now delivered mainly via satellite. This agreement, which will come into effect in July 2021, is expected to speed up the users' transition to ultrabroadband. At the same time the agreement will strengthen the country's digitization process and support the Serie A Lega Calcio in the fight against piracy, which in the last few days took an important step forward thanks to the extraordinary work of the Polizia Postale and the Public Prosecutor's Office of Catania, resulting in 1.5 million subscriptions to illegal streaming services being blocked.
- **Fiber network:** the agreement for KKR Infrastructure and Fastweb to enter the share capital of FiberCop is complete. The new company, through adoption of the co-investment scheme, will speed up closure of the digital divide with the aim of reaching around 75% of property units in the gray and black areas of the country via FTTH. In accordance with the European Electronic Communications Code, last January 29, TIM presented to AGCom and to the market the fiber co-investment offer for FiberCop's secondary network of, which is currently in the public consultation phase.
- **Mobile network:** TIM is among the first operators in Europe and the only one in Italy to launch the Open RAN (Open Radio Access Network) deployment program to innovate the mobile access network. This initiative will see the Group implement new solutions on its commercial network to benefit customers and businesses thereby speeding up the deployment of digital services. The initiative is covered by the signing of a Memorandum of Understanding last February with the main European operators to promote Open RAN technology with the aim of speeding up the implementation of new generation mobile networks, in particular 5G, Cloud and Edge Computing. The development of Open RAN solutions, in line with the TIM 2021-2023 'Beyond Connectivity' plan objectives, combines the potential of the cloud and Artificial Intelligence with the evolution of the mobile network, further strengthening the security standards, improving network performances and optimizing costs, in order to provide ever more advanced digital services.
- **Launch of Noovle, the biggest Cloud project for Italy:** the establishment of Noovle S.p.A. was announced last January 25, a new company wholly owned by the TIM Group to serve the market as a center of excellence for Cloud and Edge computing, with the aim of enhancing TIM's offering with innovative public, private and hybrid Cloud services for businesses (from small and medium-sized enterprises to large industries and government bodies), thus boosting Italy's digital transformation.

- **Launch of the Smart District project with the TIM factories:** in line with the ‘Beyond Connectivity’ plan, the organizational transformation of TIM has started, moving it towards a specialization model for the Group’s factories in areas of specific expertise with the aim of consolidating TIM as a reference supplier and quality top partner of integrated solutions for SMEs and large companies. This approach led to the launch of the ‘Smart District’ program aimed at speeding up the digitization of companies in the over 140 Italian industrial districts (25% of the national production system) where TIM will offer ultrabroadband connectivity combined with innovative services of **Noovle** (Cloud and Edge computing), **Olivetti** (IoT), **Telsy** (Cybersecurity) and **Sparkle** (international services).
- **In Brazil:** an agreement was signed to develop the fiber network with the industrial partner IHS Fiber Brasil, which will acquire a stake in the newco FiberCo, owner of the secondary fiber network and valued at 2.6 billion reais (enterprise value, corresponding to a multiple of 21x EBITDA). The agreement will speed up the rollout of the fiber network, with the aim of reaching 8.9 million households in the next 4 years and will result in the deconsolidation of the related assets from TIM Brasil which will maintain 49% of the company and decisions concerning the rollout of the network. The transaction, which is subject to the standard authorizations of the relevant Authorities (Anatel and Cade), involves a payment to FiberCo of around 0,6 billion reais (approx. 93 million euros) and to TIM of around 1.0 billion reais (approx. 160 million euros), contributing to financing the acquisition of part of the mobile business of Oi, which is expected to get the green light from the Italian Competition Authority by Q4 2021.
- **Nasdaq Sustainable Bond Network:** in March TIM joined the sustainable finance platform managed by Nasdaq which brings together investors, issuers, investment banks and specialized organizations. By participating in this initiative, TIM confirms its commitment to a more sustainable future, taking another important step along the route embarked on by the company after the publication of the Sustainability Financing Framework and last January’s issue of the first, 1 billion euros, Sustainability Bond, with the lowest coupon in TIM’s history (1.625%).

First quarter 2021 performance

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 comparable | Change % |
|--|---------------------|-----------------------------------|--------------|
| | (a) | (b) | |
| Organic results ⁽¹⁾ | | | |
| TOTAL REVENUES | 3,752 | 3,752 | 0.0 |
| Domestic | 3,101 | 3,121 | (0.6) |
| Brazil | 658 | 639 | 3.0 |
| Other activities, adjustments and eliminations | (7) | (8) | — |
| SERVICE REVENUES | 3,387 | 3,476 | (2.5) |
| Domestic | 2,753 | 2,864 | (3.9) |
| <i>o/w Wireline</i> | 2,138 | 2,149 | (0.5) |
| <i>o/w Mobile</i> | 757 | 853 | (11.3) |
| Brazil | 641 | 620 | 3.3 |
| Other activities, adjustments and eliminations | (7) | (8) | — |
| EBITDA | 1,578 | 1,599 | (1.3) |
| Domestic | 1,276 | 1,310 | (2.6) |
| Brazil | 304 | 290 | 4.8 |
| Other activities, adjustments and eliminations | (2) | (1) | — |
| EBITDA After Lease | 1,383 | 1,406 | (1.7) |

| | | | |
|--|------------|------------|-------------|
| Domestic | 1,151 | 1,182 | (2.6) |
| Brazil | 234 | 225 | 3.9 |
| Other activities, adjustments and eliminations | (2) | (1) | — |
| CAPEX | 691 | 545 | 26.8 |
| Domestic | 490 | 408 | 20.1 |
| Brazil | 201 | 137 | 46.5 |

(1) The organic results exclude non-recurring items and the comparable base is calculated net of the foreign currency translation and the change in the scope of consolidation.

| (million euros) | 1st Quarter 2021 (a) | 1st Quarter 2020 (b) | % Change |
|---|----------------------------|----------------------------|---------------|
| Equity Free Cash Flow | 469 | 466 | 0.6 |
| Equity Free Cash Flow After Lease | 307 | 195 | 57.4 |
| Net financial debt ⁽²⁾ | 21,155 | 26,745 | (20.9) |
| Net Financial Debt After Lease⁽²⁾ | 16,591 | 21,711 | (23.6) |

(2) Adjusted net financial debt. The change in the fair value of derivatives and related financial liabilities/assets is adjusted by the booked Net Financial Debt with no monetary effect.

Implementation of the commercial strategy continued, which has been producing starting from Q4 2020, the stabilization of fixed service revenues and greater satisfaction and loyalty in the mobile market. In the first quarter, the main commercial indicators show a further improvement in customer satisfaction and the consequent reduction of the churn rate in both the fixed segment and the mobile segment, the latter at the lowest levels in the last 14 years.

The total number of TIM **mobile lines** was 30.2 million, up on the previous quarter by 52 thousand lines. In a market that is still competitive in the low end (low-spending customers), the stabilization trend of the customer base continued: in terms of 'mobile number portability' (i.e. the flow to other operators, amounting to -74 thousand lines) for the third consecutive quarter TIM posted the best result among infrastructured operators. At the same time the sector saw the portability flows reduce overall by 18% YoY, demonstration of the cooling of the competitive intensity in the high end of the market (high-spending customers).

In the **fixed** line segment, the migration of the customer base towards ultrabroadband is accelerating, boosted by an increasingly rich and convergence-oriented portfolio of offering, support for demand through public vouchers and the speed-up of fiber optic coverage, in particular in white areas, which resulted in ultrabroadband coverage for over 92% of Italian households with a landline.

In Q1 2021, 424 thousand new retail and wholesale ultrabroadband lines were activated (retail +119% YoY), reaching **9.1 million** units – up 23% YoY.

Group **revenues** in the quarter stood at 3.8 billion euros, in line with Q1 2020. Revenues from domestic fixed telephony increased by 3% YoY.

Group **revenues from services** were 3.4 billion euros, with year on year performance (-2.5%) improving compared to the drop recorded in 2020 (-5.6%).



In the Business segment, revenue growth associated with innovative services (ICT, Cloud, IT solutions) accelerated (+30% YoY), also thanks to the positive contribution of the partnership with Google Cloud.

In Domestic Wholesale, fixed service revenues in Q1 2021 increased by 8.7%, benefiting from the continuous migration of customers to ultrabroadband.

In Brazil, service revenues continued to rise (+3.3% YoY), driven by strong commercial performance with a positive effect on the customer base trend and average prices. The efficiencies achieved helped to grow the organic EBITDA by 4.8% YoY (+3.9% on an after lease basis).

The Group's **organic EBITDA** was 1.6 billion euros (-1.3% YoY) and that of the Domestic Business Unit 1.3 billion euros, -2.6% YoY compared to the previous year. Both results recorded growth net of some discontinuities concerning labor costs, for example application of the expansion contract, already present in Q1 2020 and which in this financial year will start from May.

The cost containment actions led to a further consistent reduction on the previous year (-8.9% YoY on an addressable basis).

After Lease EBITDA was 1.4 billion euros (-1.7% YoY): 1.2 billion euros for the Domestic Business Unit (-2.6% YoY) and 0.2 billion euros for TIM Brasil (+3.9% YoY).

At Group level, investments stood at 0.7 billion euros, in line with the plan and with a rising trend in the quarter (+26.8% YoY) linked to the slowdown attributable to COVID-19 in Q1 2020 and the effort made in 2021 to speed up the growth and transformation processes in Italy (fiber networks, Cloud & Data center, partnership with DAZN) and Brazil.

The **net result** stood at -0.2 billion euros due to the effect of non-recurring items (-0.3 billion euros) and, in particular, the provision for the early retirement and voluntary redundancy of employees expected in the second quarter of this year (around 1,300 people). Net of this effect, net profit stood at 0.1 billion euros (0.1 billion euros in Q1 2020).

TIM initiatives for the digitalization of the country

Despite the health emergency, TIM has continued its plan for the digitalization of the country. With a view to addressing social distancing requirements, the interruption of in-person services, the block on mobility and the interruption to school and education services, TIM has moved forward with its initiatives to support citizens, companies and institutions. The main actions that were pursued during the first quarter of this year are set out below:

Fiber coverage interventions

- In Q1 2021, 1,518 **cabinets** were implemented taking the total number of municipalities that have benefited from fiber coverage interventions since March 2020 to more than 3,800.

School and digital skills

- To allow the schools to continue to provide teaching, with a social open innovation approach, TIM has indicated the **WeSchool** community to the table of educational emergencies of the Ministry of Education and teamed up with Cisco, Google, IBM, and WeSchool to launch the **#LaScuolaContinua** project, making IT support available to guarantee distance education. TIM's commitment with the Ministry of Education also continues with the evolution of **collaborative teaching methods** for open schools.
- The work of the “**Operazione Risorgimento Digitale**” also continues, this great alliance promoted by TIM and more than 40 excellent partners in the public, private and non-profit sector, to reduce the digital divide and overcome the gap in respect of other European countries in the use of new technologies. To date, more than 40,000 people have been trained, 60,000 requests for support in using technology handled and awareness-raising initiatives carried out that have involved more than 1 million people.

Customers

- **E-learning card** continues, the offer available to all prepaid TIM mobile telephony customers that allows them to browse the main e-learning platforms, without limits or costs. In all, 189 thousand customers have the e-learning card activated and 27 thousand new activations were recorded from January to March 2021.

Employees

- Under the scope of health welfare initiatives for employees, a screening campaign has been promoted to prevent the spread of COVID-19 through **rapid antigen and blood tests**; this began in 2020 and continues in 2021, in collaboration with ASSILT and has already involved around 12,000 employees.
- Again with a view to fighting the spread of the virus, from late 2020 to early 2021, a broad-reaching **flu vaccine** campaign was run, to which approximately 5,000 employees adhered.
- In order to allow for adhesion to smart working, the **distribution of laptops** has continued to personnel without computers, now having reached a total of 8,177.

TIM Brasil

- A 2 GB **Internet bonus** has been granted to customers of all segments.
- TIM has doubled up **international roaming data** available to customers withheld in the United States of America and Europe during the pandemic.
- Free inclusion of **apps for children** in the entertainment content.
- Extension of the **validity of the credit of prepaid customers with low income**, for up to 60 days.
- Access to the **Coronavirus SUS application and the site organized by the Ministry of Health** without consuming Internet data.
- The Brazilian telecommunications companies have collaborated and created a special Internet plan that costs less for national governments, with the aim of offering **free Internet access to public school students** on e-learning platforms.



- A **national survey** was run by **Istituto TIM** to assess the impact of COVID on teachers' mental health.

Non-financial performance

Undertakings concerning social, environment and governance (ESG) aspects, included in the 2021-2023 Strategic Plan, represent the Group's solid promise of achieving the objectives of the 2030 Agenda. Moreover, the managerial incentive plans are enriched with objectives linked to gender diversity and pay equality, flanking these with lesser wastage of natural resources, the fight against climate change and engaging TIM's people. Finally, sustainability governance has also been strengthened, with the definition of the Sustainability Committee early April, including the task of monitoring the consistency of TIM's objectives and management with ESG criteria.

During the quarter, TIM has brought its sources of finance into line with the Strategic Plan, successfully placing the Group's very first Sustainability Bond also thanks to the Group's presence in the main sustainability indexes and ratings.

The first quarter 2021 results will be presented to the financial community during the webcast and audio conference on May 20, 2021. The event will start at 1.00 p.m. (Italian time). The presentation will be followed by a Q&A session. Reporters can follow the presentation by telephone and via the web, without the option to ask questions, by calling +39 06 33444 and following the instructions for assisted conferences or by connecting to the following [link](#). The presentation slides will be available at [link](#).

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TIM voluntarily writes and publishes periodic financial information referring to the first and third quarter of each year as part of its corporate policy on regular financial and operating performance disclosure addressed to the market and to investors, in line with the best market practices.

The consolidated figures of the TIM Group presented in this periodic financial information at March 31, 2021 have been prepared in compliance with the International Financial Reporting Standards issued by the IASB and endorsed by the EU; such figures are unaudited.

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2020, to which reference should be made, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2021.

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 measures:

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

In line with the ESMA guidance on alternative performance measures (Guidelines ESMA/2015/1415), the meaning and contents of such are explained in the annex and the analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is provided.

Lastly, the section entitled "Business Outlook for the year 2021" 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 release 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 chapter "Main risks and uncertainties" and the contents of the Annual Financial Report at December 31, 2020 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 following were the main corporate transactions implemented during the first quarter of 2021:

- *Noovle S.p.A. (Domestic Business Unit)*: starting January 1, 2021, the conferral is effective to Noovle S.p.A. of the TIM S.p.A. business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing and the rent of spaces, including virtual, also offered through a dedicated network of data centers;
- *FiberCop S.p.A.; Flash Fiber S.r.l. (Business Unit Domestic)*: starting March 31, 2021, the conferral is effective to FiberCop S.p.A. of the TIM S.p.A. business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive fiber or copper access services, used by TIM, and at the service of other authorized operators (OAOs), by means of the secondary network (the “last mile”). At the same time, KKR Infrastructure completed the purchase of 37.5% of FiberCop from TIM and Fastweb has subscribed FiberCop shares corresponding to 4.5% of the company’s capital, through conferral of the stake in Flash Fiber, which was simultaneously incorporated into FiberCop.

The following should also be noted:

- *TIMFin S.p.A.*: on January 14, 2021, it was registered with the Register of Financial Intermediaries pursuant to Art. 106 of the CLB.

During the first quarter of 2020, the main change in the scope of consolidation was as follows:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit)*: on March 31, 2020 the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. was completed. The transaction, which enabled the creation of Italy’s leading tower operator, entailed the dilution of 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 quarter 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. Also note that during FY 2020, additional stock packets were transferred, corresponding to 7.3% of INWIT share capital. Consequently, at March 31, 2021, TIM Group’s investment held in INWIT was 30.2%.

TIM GROUP RESULTS FOR THE FIRST QUARTER 2021

Total TIM Group revenues for the first quarter of 2021, amounted to **3,752 million euros**, -5.3% compared to the first quarter of 2020 (3,964 million euros); in organic terms, total revenues were stable as compared with the first quarter of 2020.

The breakdown of total revenues for the first quarter of 2021, by operating segment in comparison with the first quarter of 2020 is as follows:

| (million euros) | 1st Quarter 2021 | | 1st Quarter 2020 | | Changes | | |
|------------------------------|------------------|--------------|------------------|--------------|--------------|--------------|-----------------------------------|
| | | % weight | | % weight | absolute | % | % organic excluding non-recurring |
| Domestic | 3,101 | 82.6 | 3,113 | 78.5 | (12) | (0.4) | (0.6) |
| Brazil | 658 | 17.5 | 859 | 21.7 | (201) | (23.4) | 3.0 |
| Other Operations | — | — | 3 | 0.1 | (3) | | |
| Adjustments and eliminations | (7) | (0.1) | (11) | (0.3) | 4 | | |
| Consolidated Total | 3,752 | 100.0 | 3,964 | 100.0 | (212) | (5.3) | — |

The organic change in the Group's consolidated revenues is calculated by excluding the negative effect of exchange rate changes¹ (-224 million euros), the changes in the scope of consolidation (INWIT) (-3 million euros) as well as non-recurring items. In particular, the first quarter of 2020 was affected by adjustments of non-recurring revenues for -15 million euros, connected with the commercial initiatives of TIM S.p.A. to support customers in dealing with the COVID-19 emergencies.

TIM Group EBITDA for the first quarter of 2021 came to **1,177 million euros** (1,735 million euros in the first quarter of 2019, -1.3% in organic terms).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for the first quarter of 2021 compared with the first quarter of 2020, are as follows:

| (million euros) | 1st Quarter 2021 | | 1st Quarter 2020 | | Changes | | |
|------------------------------|------------------|--------------|------------------|--------------|--------------|---------------|-----------------------------------|
| | | % weight | | % weight | absolute | % | % organic excluding non-recurring |
| Domestic | 875 | 74.3 | 1,346 | 77.6 | (471) | (35.0) | (2.6) |
| % of Revenues | 28.2 | | 43.2 | | | (15.0) pp | (0.9) pp |
| Brazil | 304 | 25.8 | 390 | 22.5 | (86) | (22.1) | 4.8 |
| % of Revenues | 46.3 | | 45.5 | | | 0.8pp | 0.8pp |
| Other Operations | (2) | (0.1) | (2) | (0.1) | — | | |
| Adjustments and eliminations | — | — | 1 | — | (1) | | |
| Consolidated Total | 1,177 | 100.0 | 1,735 | 100.0 | (558) | (32.2) | (1.3) |

¹The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 6.59747 for the Brazilian real in the first quarter of 2021 and 4.90557 in the first quarter of 2020; for the US dollar, the average exchange rates used were 1.20520 in the first quarter of 2021 and 1.10298 in the first quarter of 2020. 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.

Organic EBITDA - net of the non-recurring items amounted to **1,578 million euros**; the EBITDA margin was 42.1% (1,599 million euros in the first quarter of 2020, with an EBITDA margin of 42.6%).

Q1 2021 EBITDA suffered non-recurring expenses for a total of 401 million euros (34 million euros in Q1 2020, already net of the changes to scope of 5 million euros) mainly relating to employee benefits expenses, also connected with the application of Art. 4 of Italian Law 92 of June 28, 2012, as defined by the Trade Union Agreement signed by the Parent Company TIM S.p.A. and the Trade Union Organizations. Non-recurring expenses also include provisions for disputes, transactions, regulatory sanctions and potential liabilities related to them, as well as expenses connected with agreements and the development of non-recurring projects as well as provisions linked to the management of credits following the worsening of the macroeconomic context as a result of the COVID-19 health emergency.

Non-recurring expenses for the first quarter of 2021 connected with the COVID-19 emergency total 12 million euros (26 million euros during the first quarter of 2020).

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

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|--|---------------------|---------------------|--------------|---------------|
| | | | absolute | % |
| EBITDA | 1,177 | 1,735 | (558) | (32.2) |
| Foreign currency financial statements translation effect | | (101) | 101 | |
| Changes in the scope of consolidation | | (69) | 69 | |
| Non-recurring expenses/(income) | 401 | 34 | 367 | |
| ORGANIC EBITDA - excluding non-recurring items | 1,578 | 1,599 | (21) | (1.3) |
| % of Revenues | 42.1 | 42.6 | | (0.5) pp |

TIM Group EBIT for the first quarter of 2021 was **45 million euros** (533 million euros in the first quarter of 2020).

Organic EBIT, net of the non-recurring component, amounted to **446 million euros** (467 million euros for the first quarter of 2020), with an EBIT margin of 11.9% (12.4% for the first quarter of 2020).

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

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|--|---------------------|---------------------|--------------|---------------|
| | | | absolute | % |
| EBIT | 45 | 533 | (488) | (91.6) |
| Foreign currency financial statements translation effect | | (27) | 27 | |
| Changes in the scope of consolidation | | (73) | 73 | |
| Non-recurring expenses/(income) | 401 | 34 | 367 | |
| ORGANIC EBIT - excluding non-recurring items | 446 | 467 | (21) | (4.5) |

Exchange rate fluctuations mainly related to the Brazil Business Unit.

Net profit attributable to Owners of the Parent for the first quarter of 2021, was -216 million euros (+560 million euros in the first quarter of 2020), excluding the impact of non-recurring items, the net profit for the first quarter of 2021 is 94 million euros (145 million euros in the first quarter of 2020).

The **personnel** of the TIM Group at March 31, 2021 are **52,194 units**, of which 42,759 in Italy (52,347 units at December 31, 2020, of which 42,680 in Italy), with a reduction of 153 units compared to December 31, 2020 (in Italy + 79 units). Compared to March 31, 2020 the reduction was 2,775 units.

Capital expenditures for the first quarter of 2021, were 691 million euros (599 million euros in the first quarter of 2020).

Capex is broken down as follows by operating segment:

| (million euros) | 1st Quarter 2021 | | 1st Quarter 2020 | | Change |
|------------------------------|------------------|--------------|------------------|--------------|-----------|
| | | % weight | | % weight | |
| Domestic | 490 | 70.9 | 414 | 69.1 | 76 |
| Brazil | 201 | 29.1 | 185 | 30.9 | 16 |
| Other Operations | — | — | — | — | — |
| Adjustments and eliminations | — | — | — | — | — |
| Consolidated Total | 691 | 100.0 | 599 | 100.0 | 92 |
| % of Revenues | 18.4 | | 15.1 | | 3,3pp |

In particular:

- the **Domestic Business Unit** posts capex for 490 million euros, +82 million euros in organic terms compared to the first quarter 2020, mainly due to the increase for the development of the FTTC/FTTH networks;
- the **Brazil Business Unit** posted capital expenditures in the first quarter of 2021 of 201 million euros (185 million euros for the first quarter 2020). Excluding the impact of changes in exchange rates (-48 million euros), capex grew by 64 million euros, mainly to strengthen the mobile UltraBroadBand infrastructure and the development of the fixed broadband business of TIM Live.

The **Group Operating Free cash flow** for Q1 2021 is positive for 755 million euros (788 million euros in the first quarter of 2020).

Adjusted net financial debt amounted to 21,155 million euros at March 31, 2021, **a decrease of 2,171 million euros compared to December 31, 2020** (23,326 million euros). The reduction was a result of not only the solid operating cash generation, obtained partly thanks to the optimization of working capital, but also of the conclusion of the purchase by KKR Infrastructure of 37.5% of FiberCop from TIM, as announced last August 31, for an equivalent value of 1,758 million euros.

For a better understanding of the information, the table below shows the various ways by which the Net Financial Debt can be shown:

| (million euros) | 3/31/2021 | 12/31/2020 | Changes |
|--|---------------|---------------|----------------|
| | (a) | (b) | (a-b) |
| Net financial debt carrying amount | 21,672 | 23,714 | (2,042) |
| Reversal of fair value measurement of derivatives and related financial liabilities/assets | (517) | (388) | (129) |
| Adjusted net financial debt | 21,155 | 23,326 | (2,171) |
| Leasing | (4,564) | (4,732) | 168 |
| Adjusted net financial debt - After Lease | 16,591 | 18,594 | (2,003) |

Net financial debt carrying amount amounted to 21,672 million euros at March 31, 2021, a decrease of 2,042 million euros compared to December 31, 2020 (23,714 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 129 million euros compared to December 31, 2020 substantially following the fall in US dollar interest rates and the relevant revaluation of hedging on US currency bonds. This change is adjusted by the booked Financial Debt with no monetary effect.

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 16,591 million euros at March 31, 2021, down by 2,003 million euros compared to December 31, 2020 (18,594 million euros). The reduction is lower than shown in the adjusted net financial debt, as the effects of the exchange rate on the payables due to IFRS 16 of Brazil, are not considered.

The TIM Group's available **liquidity margin** amounted to 10,356 million euros, equal to the sum of:

- “Cash and cash equivalents” and “Current securities other than investments” for a total of 5,356 million euros (5,921 million euros at December 31, 2020);
- Revolving Credit Facility amounting to 5,000 million euros, totally available.

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

It should be noted that sales without recourse of trade receivables to factoring companies completed during the first quarter of 2021 resulted in a positive effect on the adjusted net financial debt at March 31, 2021, amounting to 1,396 million euros (1,970 million euros at December 31, 2020).

RESULTS OF THE BUSINESS UNITS

Domestic

Domestic Business Unit revenues amounted to 3,101 million euros, down 12 million euros (-0.4%) compared to Q1 2020. In organic terms, they reduce by 20 million euros (-0.6% on Q1 2020); in particular, revenues for the first quarter of 2020 were affected by non-recurring items for 15 million euros mainly referring to adjustments of revenues connected to TIM S.p.A.'s commercial initiatives to support customers in facing the COVID-19 emergency.

Revenues from stand-alone services come to 2,753 million euros (-108 million euros compared to the first quarter of 2020, -3.8%) and suffer the impact of the competition on the customer base, as well as a reduction in ARPU levels; in organic terms, net of the above-specified non-recurring item, they drop by 111 million euros compared to the first quarter of 2020 (-3.9%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 2,138 million euros in organic terms, with a change with respect to Q1 2020 (-0.5%) mainly due to the decrease in accesses and ARPU levels, which is also reflected in the trend of revenues from broadband services (-20 million euros compared to Q1 2020, -3.4%), partly offset by the growth in revenues from ICT solutions (+61 million euros compared to Q1 2020, +29.5%);
- **revenues from stand-alone Mobile market services** came to 757 million euros (-82 million euros on Q1 2020, -9.7%), mainly due to the reduction in the customer base and ARPU levels. In organic terms, given the aforementioned non-recurring component recorded in Q1 2020, revenues from Mobile stand-alone services fell by 96 million euros compared to Q1 2020 (-11.3%).

Revenues for Handset and Bundle & Handset, including the change in work in progress, are equal, in organic terms, to 348 million euros for the first quarter of 2021, with an increase of 91 million euros compared to the first quarter 2020, for the most part attributable to the Fixed segment.

The performance of the individual market segments of the Domestic Business Unit compared to the first quarter of 2020 was as follows:

- **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 aforesaid non-recurring component**, the revenues of the Consumer segment totaled 1,409 million euros (-69 million euros, -4.6%) and show a trend, compared to Q1 2020, affected by the challenging competition and greater discipline in commercial processes. The trend seen in total revenues also applied to revenues from stand-alone services, which amounted to 1,195 million euros, down by -129 million euros compared to the first quarter of 2020 (-9.8%). In particular:
 - **revenues from Mobile stand-alone services** totaled, in organic terms, 517 million euros (-70 million euros, -12% compared to the first quarter of 2020). The impact of the competitive dynamic remains, albeit with a lesser reduction of the customer base calling; revenues from roaming and incoming traffic are down due to the progressive reduction of interconnection tariffs and the continued pandemic situation;
 - **revenues from Fixed stand-alone services** totaled, in organic terms, 688 million euros (-57 million euros, -7.6% compared to the first quarter of 2020), primarily due to lower ARPU levels and the smaller Customer Base, which declined gradually during the first quarter of 2021. The growth of Broadband customers is highlighted, in particular Ultra Broadband.

Revenues for Handsets and Bundles & Handsets in the Consumer segment amounted to 213 million euros, +61 million euros compared to the first quarter of 2020 (+39.6%), concentrated on the mobile sector following the change in the product sales strategy, focused on protecting margins. The restrictions on circulation during the 2020 lock-down period due to the COVID-19 health emergency also had an impact on YoY performance.

- **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 following companies are included: Olivetti, TI Trust Technologies and Telsy and the Noovle Group. In organic terms, net of the aforesaid non-recurring component, revenues for the Business segment amounted to 983 million euros (-13 million euros compared to the first quarter of 2020, -1.3%, of which -3.6% for revenues from the stand-alone services component). In particular:
 - **total Mobile market revenues** showed a negative organic performance compared to Q1 2020 (-8.2%), linked to the revenues from stand-alone services component (-11.9%) and the ARPU trend;
 - **total Fixed revenues** in organic terms changed by +7 million euros compared to Q1 2020 (+0.9), with a slight reduction in revenues from services component (-0.7%) mainly driven by the increase 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 following companies are included: TI San Marino and Telefonía Mobile Sammarinese. The National Wholesale Market segment revenues in the first quarter of 2021, reached 495 million euros, up by +61 million euros (+14.0%) compared to the first quarter of 2020, 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 Q1 2021 in the International Wholesale Market segment came to 218 million euros, slightly down (-3 million euros, -1.4%) on Q1 2020. This result is due exclusively to the delta change, net of which there would be an increase of +1 million euros.

Domestic Business Unit EBITDA for Q1 2021 totaled 875 million euros (-471 million euros compared to the first quarter of 2020, -35.0%), with a margin of 28.2% (-15.0 percentage points compared to the same period of 2020).

Organic EBITDA, net of the non-recurring component, amounted to 1,276 million euros (-34 million euros compared to the first quarter of 2020, -2.6%). In particular, EBITDA for Q1 2021 reflected a total impact of -401 million euros referring to non-recurring items, of which -12 million euros related to the COVID-19 emergency in Italy. Moreover, non-recurring expenses include charges connected with corporate reorganization/restructuring processes, provisions for disputes, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects.

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

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|--|---------------------|---------------------|--------------|---------------|
| | | | absolute | % |
| EBITDA | 875 | 1,346 | (471) | (35.0) |
| Foreign currency financial statements translation effect | — | (1) | 1 | |
| Changes in the scope of consolidation | — | (69) | 69 | |
| Non-recurring expenses (Income) | 401 | 34 | 367 | |
| ORGANIC EBITDA - excluding non-recurring items | 1,276 | 1,310 | (34) | (2.6) |

Domestic Business Unit EBIT for Q1 2021 totaled -43 million euros (-473 million euros compared to the first quarter of 2020), with a margin of -1.4% (-15.2 percentage points compared to the first quarter of 2020).

Organic EBIT, net of the non-recurring component, amounted to 358 million euros (-33 million euros compared to the first quarter of 2020, -8.4%), with a margin of 11.5% (12.5% for the first quarter of 2020). Organic EBIT, net of the non-recurring component, is calculated as follows:

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|---|---------------------|---------------------|--------------|--------------|
| | | | absolute | % |
| EBIT | (43) | 430 | (473) | — |
| Changes in the scope of consolidation | — | (73) | 73 | |
| Non-recurring expenses (Income) | 401 | 34 | 367 | |
| ORGANIC EBIT - excluding non-recurring items | 358 | 391 | (33) | (8.4) |

The **headcount** amounted to 43,004 employees, an increase of 79 compared to December 31, 2020 (42,925).

Brazil (average real/euro exchange rate 6.59747)

Revenues for the first quarter of 2021 **of the Brazil Business Unit (TIM Brasil group)** amounted to 4,340 million reais (4,215 million reais on the first quarter of 2020, +3,0%), speeding up on the levels recorded from the third quarter of 2020.

The acceleration has been driven by **service revenues** (4,228 million reais vs 4,091 million reais for the first quarter of 2020, +3.3%) with mobile telephony service revenues at +2.8% on the first quarter of 2020. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenues from fixed telephony services have grown by 12.4% on the first quarter of 2020, determined above all by the growth rate of TIM Live.

Revenues from product sales totaled 112 million reais (124 million reais for the first quarter of 2020). The trend reflects the impact of the March 2021 store closures in many Brazilian cities due to the second wave of COVID-19. The sales policy is still focused more on value than on increasing sales volumes.

The **mobile ARPU** for Q1 2021 was 25.5 reais, up from the figure recorded in Q1 2020 (23.9 reais) thanks to general repositioning in the post-paid segment and new commercial initiatives intended to promote the use of data and average expenditure per customer.

Total mobile lines in place at March 31, 2021 amounted to 51.7 million, +0.3 million compared to December 31, 2020 (51.4 million). This variation was mainly driven by the postpaid segment (+0.4 million), partially offset by the performance in the prepaid segment (-0.1 million), in part due to the consolidation underway in the market



for second SIM cards. Post-paid customers represented 42.9% of the customer base as of March 31, 2021, 0.5 percentage points higher than at December 2020 (42.4%).

The TIM Live BroadBand business recorded net positive growth on March 31, 2020 in the customer base of 78 thousand users (+13.3%). In addition, the customer base continues to be concentrated on high speed connections, with more than 50% exceeding 100Mbps.

Q1 2021 **EBITDA** came to 2,008 million reais (1,916 million reais in Q1 2020, +4,8%) and the margin on revenues is equal to 46.3% (45.5% in Q1 2020).

The increase of EBITDA is due to the increase in revenue and cost control efficiency.

EBIT for the first quarter of 2021 amounted to 592 million reais (515 million reais for the first quarter of 2020, +15.0%).

In the first quarter of 2021, 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) went from 6.3768 at December 31, 2020 to 6.68008 at March 31, 2021. This led, among other things, to the 27 million euro fall in the value of goodwill attributed to the Brazil Cash Generating Unit, expressed in euros.

Personnel totaled 9,177 units posting a reduction of 232 units compared to December 31, 2020 (9,409 units).

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

EBITDA ADJUSTED AFTER LEASE - TIM GROUP

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|---|---------------------|---------------------|-------------|--------------|
| | | | absolute | % |
| ORGANIC EBITDA - excluding non-recurring items | 1,578 | 1,599 | (21) | (1.3) |
| Lease payments | (195) | (193) | (2) | (1.2) |
| EBITDA adjusted After Lease (EBITDA-AL) | 1,383 | 1,406 | (23) | (1.7) |

EBITDA ADJUSTED AFTER LEASE - DOMESTIC

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|---|---------------------|---------------------|-------------|--------------|
| | | | absolute | % |
| ORGANIC EBITDA excluding non-recurring items | 1,276 | 1,310 | (34) | (2.6) |
| Lease payments | (125) | (128) | 3 | 2.3 |
| EBITDA adjusted After Lease (EBITDA-AL) | 1,151 | 1,182 | (31) | (2.6) |

EBITDA ADJUSTED AFTER LEASE - BRAZIL

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Changes | |
|---|---------------------|---------------------|-----------|------------|
| | | | absolute | % |
| ORGANIC EBITDA excluding non-recurring items | 304 | 290 | 14 | 4.8 |
| Lease payments | (70) | (65) | (5) | (8.2) |
| EBITDA adjusted After Lease (EBITDA-AL) | 234 | 225 | 9 | 3.9 |

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

| (million euros) | 3/31/2021 | 12/31/2020 | Change |
|--|---------------|---------------|----------------|
| Adjusted net financial debt | 21,155 | 23,326 | (2,171) |
| Leasing | (4,564) | (4,732) | 168 |
| Adjusted net financial debt - After Lease | 16,591 | 18,594 | (2,003) |

EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

| (million euros) | 1st Quarter 2021 | 1st Quarter 2020 | Change |
|--|---------------------|------------------|------------|
| Equity Free Cash Flow | 469 | 466 | 3 |
| Leasing | (162) | (271) | 109 |
| Equity Free Cash Flow After Lease | 307 | 195 | 112 |

BUSINESS OUTLOOK FOR THE YEAR 2021

The guidance announced with the approval of the TIM 'Beyond Connectivity' 2021-2023 Strategic Plan is unchanged.

EVENTS SUBSEQUENT TO MARCH 31, 2021

TIM, KKR Infrastructure and Fastweb: agreement to enter the capital of FiberCop finalised

(see the press release issued on April 1, 2021)

Revolving Credit Facility renewed

The Revolving Credit Facility (RCF) was renewed in May until 2026 for the sum of € 4 bn, an amount in line with the group's current gross debt reduction. TIM has introduced sustainability targets on the new credit line making it the largest ESG Facility in the Telco sector.

The most extensive long-term agreement in Italy has been signed with ERG for the supply of renewable energy

(see the press release issued on May 14, 2021)

Agreement signed with the trade unions, at the Ministry of Labor, for the 2021-2022 expansion contract

On May 17, 2021, TIM signed an agreement for the 2021-2022 expansion contract with the trade unions, at the Ministry of Labor. The agreement includes the following qualifying aspects: 650 permanent hires at TIM (330 in 2021 and 320 in 2022), plus a further 100 caring operators hired in the Group company TeleContact; training project focused on reskilling and paths to acquire new role-related skills.

As for the reduction in working hours, the agreement includes two distinct percentages relating to the organizational area of reference (-3.5% applied to 10,525 people; -12.1% applied to 24,194 people). The application period is 16 months (May 2021 – August 2022).

TIM S.A.: New loans

In April 2021, the Company entered into two loan agreements with Banks BNP and Bank of Nova Scotia, in the total amount of 1.1 billion reais, payable by April 2024.



TIM S.A.: Agreement with IHS for shareholding in FiberCo

On May 5, 2021, TIM S.A. informed its shareholders and the market in general that, at a meeting of the Company's Board of Directors held on that date, an agreement ("Agreement") was approved between TIM S.A. and IHS Fiber Brasil - Cessao de Infraestruturas Ltda. ("IHS"), in order to acquire an equity stake in FiberCo Soluções de Infraestrutura Ltda. ("FiberCo"), a vehicle established by the Company for the segregation of network assets and the provision of infrastructure services.

IHS is a large and diversified telecommunications infrastructure provider focused on emerging markets and operating in 9 countries in Africa, Middle East and Latin America. Besides owning more than 28 thousand towers, it also seeks expansion of the value chain in infrastructure services.

In the Agreement, TIM will sell 51% of FiberCo's share capital to IHS, and the remaining 49% will remain under the Company's control. The relationship between the shareholders will be governed by a shareholders' agreement to be entered into upon closing of the transaction.

FiberCo's initial asset base will consist of TIM's secondary network infrastructure contribution covering approximately 6.4 million households, of which 3.5 million are FTTH and 3.5 million FTTC. In addition, other assets, contracts and employees will be transferred to FiberCo, all exclusively related to its activities. These transfers will only take place after the Agreement is approved by the competent authorities.

In this context, the Enterprise Value of FiberCo was established at 2.6 billion reais. The transaction includes a primary component (609,000,000.00 reais) going to FiberCo's cash and secondary component (1,027,590,000 reais) to be paid to TIM.

FiberCo's mission is to deploy, operate and maintain last-mile infrastructure for broadband access to be offered in the wholesale market. Nevertheless, the terms of the agreement define TIM as anchor customer, having the prerogative of a 6 (six) months exclusivity period after the entrance in new areas.

This transaction is expected to support the Company's plan to accelerate the provision of fiber connectivity services to B2C and B2B customers. Accordingly, FiberCo's business plan is to reach 8.9 million FTTH households within 4 years. FiberCo will also participate in other infrastructure projects, such as FTTSite, together with TIM.

This transaction has always been seen by the company from an industrial perspective, seeking the evolution and growth of its broadband business. However, the positive financial and economic impacts cannot be left aside. It is expected that the deal will enable the Company to deconsolidate a relevant part of its CAPEX, causing a positive effect on its cash flow. In parallel, TIM expects to use the proceeds of this transaction to help meeting its investment obligations, such as the acquisition of Oi Mobile's assets.

This transaction is subject to the fulfillment of certain conditions precedent, including, among others, the contribution of assets described above and the obtaining of authorizations from the competent authorities, such as the Agência Nacional de Telecomunicações - ANATEL and the Conselho Administrativo de Defesa Econômica - CADE.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation.

The TIM Group has adopted a Risk Management model that is constantly evolving, 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.

The Risk Management Model adopted by the TIM Group

- classifies risks based on their impact into Strategic (resulting from the evolution of factors underpinning the main assumptions used for the development of the Strategic Plan) and Operational (resulting from the evolution of risk factors, both endogenous and exogenous, which can compromise the achievement of business objectives);
- assesses the risks not just individually but also in terms of the risk portfolio (correlation analyses);
- identifies and updates the overall set of risks to which the Group is exposed through the analysis of the Business Plan, the monitoring of the reference context (macroeconomic, regulatory, etc.), cyclical monitoring with the Risk Owners, in order to intercept any changes and/or new risk scenarios, specific analyses on the risks to which the corporate assets may be exposed.

The business outlook for 2021 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 highlight the health emergency due to the spread of COVID-19. 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 articulated paths.

Risks related to macroeconomic conditions

COVID-19

The continued health emergency for the spread of COVID-19 and the restrictive orders issued by national and foreign authorities, coupled with the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of certain customer segments, could lead to slowdowns in business activities, deriving from the limitation of certain types of technical and commercial interventions, difficulties encountered by customers and discontinuity in the supply chain, with negative impacts on the overall results of the Group.

Also in consideration of the public service provided, the management of this emergency requires all possible actions to be taken 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 last quarter of 2020 recorded a decline in the GDP of 1.9% (-6.6% on the fourth quarter of 2019) caused by the negative contribution of the demand of families and export demand. At present, uncertainties surrounding

the vaccination campaign and the third wave in progress with the consequent restrictions, albeit with different levels of intensity in the different regions, are slowing the return to normality.

In general, in 2020 the Italian economy suffered more than other Eurozone countries in respect of the COVID-19 emergency (Italy's GDP estimate is -9.1% vs 2019; EMU GDP estimate is -7% vs 2019). The global context continues to be dominated by the difficulties and uncertainties deriving from the evolution of the pandemic and the timing of vaccination campaigns, which affect growth forecasts for the next few years. For 2021, forecasts see growth of the GDP of around 4.5% (Prometeia 4.8%, IMF April outlook 4.2%) with a recovery only expected starting from the second quarter of 2021, as the vaccines are progressively rolled out and expansive monetary and tax policies maintained. If there are no delays in the implementation of the Next Generation EU program, this should stimulate investments starting 2021. The pandemic has brought about a major decline in both production and family consumptions.

Consumption has contracted significantly, especially in the services sector, as a result of the measures adopted to limit contagion and a greater caution by consumers in spending during the pandemic. The Italian government's measures to limit the contagion and support household incomes will have a positive impact on demand, and have also led to a severe increase in public debt, which came to 157% of the GDP in 2020, up 21 p.p. on 2019. Forecasts expect to see a slight reduction in the debt/GDP by 2023 of around 6 p.p. In 2021 too, public accounts will be impacted by major budget allocations (approximately 100 billion euros) destined to fight the recession effects of the crisis. Various measures have already been launched, including the Support Decree for a total of 32 billion euros, dedicated above all to businesses.

In Brazil, after three years of modest growth, the 4.1% decline of the GDP in 2020 was influenced significantly by the COVID-19 pandemic emergency and the restrictions imposed to limit its spread, the lock-downs and social distancing measures that have brought about a general commercial and economic contraction, particularly if compared with the 1.1% growth seen in 2019.

After a devastating first half of 2020, when the pandemic led to the closure of commercial activities, major restrictions in travel and a considerable outflow of capital, which had already begun in 2019, the scenario in the second half of the year changed and the third quarter recorded strong GDP growth. 2020 has not recovered the level of activities at end 2019, but the impact was less than initially expected.

Recently, following the adoption of strict measures restricting travel and calling for social distancing, in a bid to reduce the transmission of COVID-19, the gradual relaxation of restrictions and return to economic activities, coupled with the financial support offered by the government have helped assure a slight recovery in the second half of 2020. It is not yet possible, however, to predict if the Brazilian economy and the results of TIM Brasil will return to pre-crisis levels.



The Executive responsible for preparing the corporate financial reports, Giovanni Ronca, hereby declares, pursuant to subsection 2, Art. 154 bis of Italy's Consolidated Law on Finance, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.