



TIM: BOARD OF DIRECTORS APPROVES FINANCIAL REPORT AT 31 DECEMBER 2020

EQUITY FREE CASH FLOW AFTER LEASE UP 57% YOY IN Q4, TO € 0.6 BN (€ 1.6 BN FOR THE YEAR)

NET FINANCIAL DEBT AFTER LEASE IMPROVES BY € 2.1 BN IN Q4 AND € 3.3 BN IN 2020

ULTRABROADBAND NET ADDS ACCELERATED SHARPLY IN Q4 (+171%) AND TOTAL RETAIL FIXED LINES GREW FOR THE FIRST TIME SINCE 2001

2020 NET PROFITS OF € 7.2 BN OF WHICH € 5.9 BN DERIVING FROM THE REALIGNMENT OF TAX VALUES PURSUANT TO DECREE LAW 104/2020. € 1.3 BN (+47% YOY) WITHOUT CONSIDERING THE REALIGNMENT EFFECTS

PROPOSED DIVIDEND UNCHANGED AT 1 EUROCENT FOR ORDINARY SHARES AND 2.75 EUROCENTS FOR SAVINGS SHARES

- **Equity free cash flow After Lease 2020: € 1.6 bn (+5.3% YoY)**
- **Adjusted Net Financial Debt After Lease: € 18.6 bn**
In 2020, the debt reduced by € 3.3 bn (€ 1.4 bn in 2019)
- **2020 revenues at € 15.8 bn**
In the fourth quarter, the domestic service revenues trend (-2.0% organic YoY) improved 6.2 percentage points compared to the third quarter despite the ongoing COVID-19 crisis
- **Domestic fixed line revenues essentially stable thanks to the continuing improvement of commercial indicators. Mobile improved as well**
- **Costs: strong downward trend confirmed. Domestic target for 2022 reached in just one year (-9.5% YoY for addressable base)**
- **Organic EBITDA: € 7.1 bn (-5.9% YoY). Q4 performance improved both in Italy (-2.5% YoY, +7.2pp QoQ) and Brazil (+2.8% YoY, +1.8pp QoQ)**
- **Major expansion of ultrabroadband coverage thanks to the opening of new cabinets in white areas**
- **FiberCop: secondary network fibre co-investment offer open to all operators published**
- **Noovle, the biggest cloud project for Italy, launched in January**
- **Agreement finalised with the consortium led by Ardian for investment in INWIT for a total value of € 1.6 bn in Q4 2020**
- **TIM Brasil continued to grow in Q4 2020, and has been awarded – together with Vivo and Claro – the mobile business of Brazil's Oi group. Closing is expected within 2021, once the necessary authorisations have been obtained**
- **The first € 1bn Sustainability Bond was placed in January 2021 with an 8-year maturity and a 1.625% coupon, with the aim of increasing the Group's energy efficiency and financing Green and Social projects**

Rome, 23 February 2021

TIM's Board of Directors, which met today chaired by Salvatore Rossi, approved the consolidated Financial Statements of the TIM Group, the draft separate Financial Statements of TIM S.p.A. and the Non-Financial Statement/Sustainability Report at 31 December 2020.

The fourth quarter of 2020 began to show the results of two years of transformation, by streamlining the organisational structure, optimising processes and undergoing a major repositioning of the business with the creation of new development opportunities, thanks also to key strategic agreements.

During 2020, TIM further boosted cash generation, both for ordinary and extraordinary operations. Today TIM is a solid company geared towards meeting the various needs of its customers in a sustainable manner and with credible growth prospects, thanks also to the expected improvement in the macroeconomic environment and telecoms sector, which is one of the main beneficiaries of the Next Generation EU.

Net financial debt as at 31 December 2020 fell by 4,342 million euros YoY, (i.e. 3,299 million euros on an After Lease basis) at **23,326 million euros**, (i.e. 18,594 million euros on an After Lease basis). **Equity free cash flow** contributed **2,414** million euros (1,615 million euros on an After Lease basis).

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

- **Development of convergent offer and TIMVISION:** the key partnerships entered into during the year with major global players (Disney+, Netflix, DAZN, NowTV, Discovery+) have transformed TIMVISION into Italy's leading aggregator of entertainment and sports content. This development has further strengthened the positioning and popularity of TIM's convergent offering.
- **Fibre network:** work is continuing to launch the FiberCop operations, which will bring FTTH technology to a large part of Italy by 2025 (76% of property units in grey and black areas – equivalent to 56% of technical property units nationwide). An important plan to boost the capacity of the TIM network, which already offers technologies capable of supporting the distribution of multiple streams of high-definition video to over 91% of Italians with an active fixed telephone line, with the remainder of the population served by the UBB Fixed Wireless Access connection and satellite. As part of the FiberCop project, the secondary network fibre co-investment offer open to all interested operators was published.
- **Sale of mobile towers:** Ardian Infrastructure and Canson Partners (Guernsey) Limited invested in INWIT for an equivalent value of 1.6 billion euros, collected by TIM in Q4.
- **Data Centres and partnerships for Cloud services:** announced in January 2021, the birth of Noovle S.p.A., a new company wholly owned by the TIM Group to serve the market as a centre 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. The Group's Cloud business 2020 pro-forma turnover was 0.5 billion euros.
- **In Brazil,** TIM S.A. won the tender – together with Vivo and Claro – for the purchase of Oi Group's mobile assets. The transaction is expected to be completed in 2021, following the necessary authorisations from the competent authorities. TIM S.A.'s investment will be approximately 7.3 billion reais and 476 million reais relating to TIM S.A.'s share of the data transmission contracts. In terms of asset allocation, TIM S.A. will receive approx. 14.5 million customers, approx. 7.2 thousand mobile access sites and approx. 49 MHz of mobile radio frequencies.
- The placement of the first €1 billion Sustainability Bond with an 8-year maturity was successfully concluded in January 2021. The bond issue has a yield at maturity of 1.75% and a

fixed coupon of 1.625% (below the Group's average cost of debt which, at the end of September 2020, stood at around 3.4%). The proceeds will be used for initiatives of energy efficiency, transition to renewable energy and circular economy development. Moreover, for the first time in Italy, a corporation will invest part of the funds collected into projects with social value, as envisaged in the Sustainability Financing Framework published in December 2020.

Performance in the fourth quarter 2020

The commercial strategy implemented over the last two years led to a stabilisation in Q4 of service revenues in the fixed line segment, amid a backdrop of significantly improving commercial indicators. Particularly noteworthy: the total retail fixed lines grew for the first time since 2001 and the first signs of rationality in the mobile market were felt.

The total number of TIM **mobile lines** was 30.2 million at the end of the year, up by around 5 thousand lines over the previous quarter, despite the partial lockdown in November and December. Machine-to-machine SIMs are on the rise once again, with 103 thousand new lines. The performance of "human" lines improved, significantly reducing the loss of lines and confirming the ongoing trend of stabilisation. "Number portability" (i.e. the flow to other operators, amounting to 35 thousand lines) posted the best result since Q2 2018.

In the **fixed line segment**, the migration of the customer base towards ultrabroadband is accelerating thanks also to the greater availability of lines in white areas, where TIM has opened 18 thousand new cabinets since March 2020, making fibre (FTTx) available to 91% of Italian households with fixed lines.

In Q4 2020, 437 thousand new retail and wholesale ultrabroadband lines were activated (retail +171% YoY), reaching **8.6 million** units – up 24% YoY.

Group **revenues** in the quarter amounted to 4.1 billion euros (-2.1% organic YoY), with an upward trend (+2.9 percentage points) compared to the previous quarter. Group **revenue from services** was 3.7 billion euros, with a trend – compared to the previous year (-1.2%) – that is also up from the third quarter (+5.2%).

In the Business segment, revenue growth associated with innovative services (ICT, Cloud, IT solutions) accelerated (+27.6% YoY), also thanks to the positive contribution of the partnership with Google Cloud.

In **Domestic Wholesale**, service revenues in Q4 2020 were up 12.1% YoY, benefiting from the ongoing migration of customers to ultrabroadband and the acquisition of new contracts over the quarter.

In Brazil, service revenues continued to rise (+1.9% YoY), driven by strong commercial performance with a positive effect on the customer base trend and average user prices. The efficiencies achieved (particularly the containment of bad debt) contributed to an organic EBITDA growth of 2.8% YoY.

The Group's **organic EBITDA** amounted to 1.8 billion euros (-1.5% YoY, +6.4pp QoQ) and that of the Domestic Business Unit came to 1.4 billion euros (-2.5% YoY, +7.2pp QoQ), up from the previous quarter despite the partial lockdown in November and December and the new distribution of expansion contract days (brought forward and used in Q2 2020), while also benefiting from cost containment measures (-7.4% YoY for the addressable base). **Net of these discontinuities**, EBITDA in the quarter would have performed even better as compared to the previous quarter, with a **positive YoY variation**.



After Lease EBITDA amounted to 1.6 billion euros (-0.8% YoY, +7,4pp QoQ): 1.3 billion euros for the Domestic Business Unit (-1.7% YoY, +8.0pp QoQ) and 0.3 billion euros for TIM Brasil (+3.0% YoY, +2.5pp QoQ).

At Group level, investments amounted to 1.4 billion euros, in line with the year's targets, despite the acceleration in Brazil and Italy of the coverage plan for white areas in Q4.

The net result came to 6.0 billion euros in the fourth quarter and 7.2 billion euros in the year, showing major growth on 2019 (when 0.1 and 0.9 billion euros, respectively, were reported), also in view of the benefits obtained from the tax realignment of tax values in accordance with Decree Law 104/2020 (5.9 billion euros). Excluding this effect, the net result would have been 1.3 billion euros, 431 million higher than 2019.

Shareholders' Meeting

The Board of Directors has completed the approval of the documentation – Report on the remuneration policy and the amounts paid, non-financial statement, report on the proposals to shareholders – to be published and/or submitted in view of the Shareholders' Meeting, in a single call, scheduled for 31 March 2021.

In particular, last year's distribution policy was confirmed, proposing that Shareholders be paid a dividend calculated on the basis of the gross amount of 0.01 euros per ordinary share and 0.0275 euros per savings share.

The amounts for dividends will be payable to entitled parties from 23 June 2021 (with record date of 22 June 2021 and coupon date of 21 June 2021).

The results of FY 2020 will be illustrated to the financial community during a conference call scheduled for 24 February 2021. The event will start at 2.00 p.m. (CET). 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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2020 HIGHLIGHTS

(million euros)	2020	2019	Changes % organic excluding non-recurrent	
	(a)	(b)	(a-b)	
Revenues	15,805	17,974	(12.1)	(6.4)
EBITDA (1)	6,739	8,151	(17.3)	(5.9)
<i>EBITDA margin</i>	42.6 %	45.3 %	(2.7) pp	
Organic EBITDA excluding non-recurrent items	7,063	7,505		(5.9)
<i>Organic EBITDA Margin excluding non-recurring items</i>	44.6 %	44.3 %		0.3pp
EBITDA adjusted After Lease	6,249	6,652		(6.1)
EBIT (1)	2,104	3,175	(33.7)	(16.6)
EBIT margin	13.3 %	17.7 %	(4.4) pp	
<i>Organic EBIT Margin excluding non-recurring items</i>	15.3 %	17.2 %		(1.9) pp
Profit (loss) for the financial year attributable to the Parent Company	7,224	916	-	
Industrial investments:	3,409	3,784	(9.9)	(2.8)
	31.12.2020 (a)	31.12.2019 (b)	Absolute change (a-b)	
Adjusted net financial debt (1)	23,326	27,668	(4,342)	
Adjusted Net Financial Debt - After Lease	18,594	21,893	(3,299)	

HIGHLIGHTS FOR THE FOURTH QUARTER 2020

(million euros)	4th Quarter 2020	4th Quarter 2019	Changes % organic excluding non-recurrent	
	(a)	(b)	(a-b)	
Revenues	4,148	4,551	(8.9)	(2.1)
EBITDA (1)	1,621	1,652	(1.9)	(1.5)
<i>EBITDA margin</i>	39.1 %	36.3 %	2.8pp	
Organic EBITDA excluding non-recurrent items	1,764	1,790		(1.5)
<i>Organic EBITDA Margin excluding non-recurring items</i>	42.5 %	42.2 %		0.3pp
EBITDA adjusted After Lease	1,571	1,584		(0.8)
EBIT (1)	477	463	3.0	(12.9)
EBIT margin	11.5 %	10.2 %	1.3pp	
<i>Organic EBIT Margin excluding non-recurring items</i>	14.9 %	16.8 %		(1.9) pp
Profit (loss) for the period attributable to the Parent Company Shareholders	6,046	64	-	
Industrial investments:	1,403	1,508	(7.0)	0.4

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



Initiatives for the Digitisation of the Country

(March-December 2020)

10,000

new cabinets

5 mln €

new households gained access to ultrabroadband connectivity

3,250

municipalities involved

37%

increased bandwidth achieved on some routes



Initiatives for the Community

(March-June 2020)

1,635

kits (device+sim) for Prisons

1,400

kits for 75 Hospitals (configured with technological aids for the hearing impaired)

1 mln €

allocated by Fondazione TIM to 4 Hospitals

Freephone number

to support citizens and healthcare workers (with the Ministry of Health and Civil Protection)

Support number

for Red Cross fundraising



Initiatives to support Institutions

(March-December 2020)

6,500

digital training accounts created for the Carabinieri

Operations Room

for the Italian Civil Protection Department with 72 workstations (freephone number activated within just 15 hours of lockdown being

Constant monitoring

to ensure the continuity of emergency services (112, 113, 115, and 118)

Confindustria Nazionale

support for smart-working by 230 employees



Initiatives for Schools and digital skills

(March-December 2020)

2.5 mln €

and in addition to the platform users WeSchool -startup accelerated by TIM - in the week of 4-10 May 2020 (+300% compared to average logins pre-COVID)

700,000

citizens in streaming for the Operazione Risorgimento Digitale training and teaching cycles

20

agreements signed with the leading universities to provide distance learning

200,000

SIM cards supplied to the universities at concessionary rates, with an equal number of free LTE/WiFi modems for students



Initiatives for customers
(March-December 2020)

435,000

consumer offers activated during the emergency

165,000

business offers activated during the emergency

FREE

the “classic” TIMVISION package
(for all fixed network customers)

FREE

for two months TIM WORK SMART the collaboration service

FREE

for three months G Suite TIM Edition
(the TIM, Google Cloud and Intesa Sanpaolo smart working solution)

Support for Businesses
thanks to an agreement with UniCredit
(for immediate access to liquidity and investment support measures)



Initiatives for employees
(March 2020 to date)

36,000

employees involved in agile working since the start of the emergency

162,774 ton

reduction in CO2 equivalent due to travel being reduced to zero thanks to home

Training tools

information video pills produced on how to prevent infection and use PPE correctly

Expansion of PC stock

for Red Cross fundraising

Insurance cover

health care in the event of COVID-19 infection

Safety at work

New procedures for the safety of activities carried out by technicians and shop staff



Initiatives of TIM Brasil
(March 2020 to date)

10,000

employees working from home across the country

1st

operator to convert the whole in-house call centre into distance working mode

500

employees who monitored the network from home thanks to the virtual login system introduced, while maintaining the quality of service

24/07

assistance to employees and dependants through the personal support program and the Einstein Connecta Health Platform

3,000

families with disabled people residing in vulnerable areas of Rio de Janeiro helped with food baskets during the emergency

Instituto TIM

responded quickly to the pandemic by changing the methods used in its projects in order to ensure full operation online in 2020: AWC, Instituto TIM Percussion Band and TIM Tec

The health emergency caused by the COVID-19 outbreak has underpinned the essential value of connectivity and digital solutions in emergency situations to cope with generalized social distancing, the interruption of the provision of in-person services, a stop to mobility and the interruption of school and education services. Due to social distancing, Italians have discovered that connectivity is the key to transforming the way they work, limiting travel to a minimum and ensuring compliance with the most rigorous safety standards.

Aware of its leading role in the digitisation of the country, TIM has put in place a series of initiatives to support citizens, businesses and institutions during the lock-down and in the progressive reopening phases, with a wide-ranging plan of activities.

The main initiatives include:

- to **accelerate Italy's digitisation**, more than 10,000 cabinets were switched on in 3,250 different municipalities, allowing more than 5 million residents to access UltraBroadBand connectivity. Moreover, thanks to a series of technical measures, which on some routes have led to increasing bandwidth by up to 37%, it has been possible to meet the strong increase in traffic, which during the first lockdown recorded a maximum increase of 90% on the fixed line network and 45% on the mobile network, while keeping service quality unchanged;
- Fondazione TIM **donated 1 million euros** to hospitals and medical research establishments, also promoting fundraising among TIM employees;
- **over 3,000 handsets** and SIM cards were distributed to the hospitals most involved in dealing with the emergency and prison inmates to facilitate contact with family members; working with the Italian national institute for the deaf (Ente Nazionale Sordi), over 1,000 handsets were delivered to deaf people with apps to facilitate use of Italian Sign Language and translate spoken messages into written messages, and vice versa, in real time;

- participating in the “Torino City Love” campaign, TIM made **innovative digital solutions** available to citizens free of charge to support healthcare, families and the elderly;
- to counter the **negative effects of the lockdown** on people, toll-free psychological support helplines were set up for citizens, a help desk for doctors and a special number for donations to the Italian Red Cross;
- the “**Operazione Risorgimento Digitale**” project **led to the first free online school being set up for the dissemination of digital skills in Italy**. Operazione Risorgimento Digitale is a great system alliance led by TIM, which has brought more than 30 partners together and won the support of trade associations, the fourth sector and important players in the field of social innovation, such as Confindustria Digitale, Telefono Azzurro, Fondazione Mondo Digitale, Junior Achievement Italia, Generation and Italiacamp. The project, which endorses the Manifesto for the Digital Republic promoted by the Ministry for Innovation, is being implemented in conjunction with the European Commission, Polizia di Stato and it has obtained ANCI support. As part of the project important memorandums of understanding have been signed with the Ministries for Public Administration, Education and Justice. Adapting promptly to the needs imposed by the emergency, the initiative has raised awareness and provided distance learning to over 700,000 citizens;
- to guarantee the **continuity of education** in schools, TIM signed up to the Ministry of Education's #LaScuolaContinua project and, together with Cisco, Google, IBM and WeSchool, provided platforms and information to ensure distance learning; more than 20 agreements were also signed with the main universities in the country, for the supply of modems and SIM cards to make it easier for students to attend courses remotely;
- initiatives for **people, families and companies** were all aimed at offering **free connectivity and supplying services, including home working**, for the whole emergency period. In this context, over 435,000 offers were activated for Consumer customers and approximately 165,000 for Business customers;
- reflecting the exceptional circumstances, initiatives were taken to **support institutions** involved in the crisis, including the Protezione Civile (Civil Defence), the Carabinieri, Confindustria, S. Raffaele Hospital, ASST Mantua, to whom physical spaces were made available with the equipment needed to manage operations in the area, special training programs, platforms, toll-free numbers and other services to manage emergencies;
- through partnerships with public organisations and other private foundations, **innovation competitions** were promoted in the healthcare field, such as Innova per l'Italia, #EUvsVirus Hackathon and the COVID-19 Challenge;
- finally, around 36,000 of our employees were involved in the **Home Working** programme in line with government guidelines on the management of working areas. The benefit in terms of lower emissions, deriving from travel being reduced to zero, is over 162K tonnes of CO2 eq.

NON-FINANCIAL PERFORMANCE

The coronavirus pandemic has exposed problems and weaknesses in our economic, social and institutional systems in dealing with global shocks. At the same time, however, awareness has grown that achieving sustainable development also requires the use of ICT products and services, which are enabling factors for inclusive development. These cannot be separated from digital infrastructure, which are increasingly necessary across the country to guarantee all the advantages and opportunities they offer. In addition to this, it is however necessary to increase training and the necessary digital skills in both the public (schools and Public Administration) and private (families and businesses) sectors to boost the country's recovery. TIM is strongly committed on all these fronts, with a leading role.

The challenge now is to use the Group's infrastructure and skills to contribute to a new phase of digital evolution in our society, which requires technology to be used, working with all institutional and private actors, to deal with the great environmental, social and economic challenges, made even more urgent by the coronavirus pandemic.

The Sustainability Plan, integrated into the three-year Strategic Plan, is the Group's concrete contribution to achieving the objectives of the United Nations 2030 Agenda for Sustainable Development, a commitment that is confirmed by the inclusion of its stock in the Dow Jones Sustainability Index Europe, for the seventeenth consecutive year, and the return of TIM to the Dow Jones Sustainability Index World, joining the other specialist indices in which the stock has been included for several years.



Thanks to the continuous search for energy efficiency and the containment of its emissions, particularly as a result of the increasing contribution of renewable energy, TIM has set itself the ambition of being carbon neutral by 2030, improving efficiency indicators and developing infrastructure and Data Centres to provide more and more services with less consumption of resources.

The commitment to carbon neutrality relates not only to internal processes but also to the tools that TIM makes available to its customers by offering energy monitoring and control solutions and the cloud, which allows the use of servers to be optimised.

The Sustainability Plan is particularly focused on TIM's employees, with a renewed engagement survey, a recruitment and training program that is more responsive to the challenges of the Information and Communications Technology sector, and a long-term incentive plan with ESG objectives.

Finally, TIM can contribute to the success of young companies, paying attention to the repercussions on the country as a whole, where possible prioritising less favoured areas: through TIM Ventures, the Group aims to participate in the growth of 10-15 companies over a period of 5 years and to strengthen the Group's technological innovation.

Where they could be specifically achieved in 2020, all the objectives of the Plan were in fact achieved, with the excellent performance of the "Engagement" cluster, which improved by 16 points compared to 2019, exceeding the growth target of 14 points expected for late 2022.

At the beginning of January 2021, the Group aligned its funding sources with the Strategic Plan which places ESG objectives at the centre of its development strategy, very successfully placing TIM's first Sustainability Bond for a billion euros.

The Sustainability Report provides details of the achievement of annual targets and progress made in the multi-year ones set out in the Sustainability Plan, highlighting their contribution to the Sustainable Development objectives.

The TIM Group and TIM S.p.A. Consolidated Financial Statements for the year 2020 and the comparative figures for the previous year have been prepared in compliance with IFRS issued by the International Accounting Standards Board and endorsed by the European Union (“IFRS”).

The accounting criteria and consolidation principles adopted are consistent with the those used in the TIM Group Consolidated Financial Statements and Separate TIM S.p.A. Financial Statements as at 31 December 2019, except for the changes to the accounting standards issued by the IASB and in force since 1 January 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;**
- **Adjusted net financial debt After Lease, calculated by excluding the liabilities connected with the accounting treatment of the leasing contracts from the adjusted net financial debt 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.**

The meaning and content of the alternative performance indicators are illustrated in the annexes and analytical details of the amounts of the reclassifications made and the methods for determining the indicators are provided.

Finally, it should be noted that the audit of the TIM consolidated and separate Financial Statements at 31 December 2020 has not yet been completed.

MAIN CHANGES TO THE TIM GROUP CONSOLIDATION SCOPE

The main changes to the scope of consolidation in 2020 were as follows:

- **Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit):** the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. was completed on 31 March 2020. This transaction, which resulted in the birth of the first Italian Tower Operator, led to the dilution of TIM Group's investment in the capital of INWIT from 60% to 37.5%. As of 31 March 2020, therefore, INWIT S.p.A. is valued using the equity method. Commencing from the Consolidated Financial Statements for the year ended 31 December 2019 and until completion of the aforesaid merger, INWIT S.p.A. was stated as an “Asset held for sale”. Therefore, the consolidated income data and cash flows of the TIM Group for 2020 include INWIT S.p.A. figures for the first quarter of 2020, net of depreciation and amortization for the period, as required by IFRS 5. In addition, attention is drawn to the following events: in 2020, additional INWIT stock packets were transferred, corresponding to 7.3% of the stock (for further details, please refer to the Note: “Equity investments” in the TIM Group Consolidated Financial Statements for the year ended 31 December 2020). Consequently, the TIM Group's investment in INWIT as of 31 December 2020 was 30.2%;
- **Noovle S.r.l. (Domestic Business Unit):** on 21 May 2020, TIM S.p.A. completed the acquisition of 100% of the shares in Noovle S.r.l., an Italian ICT and system integration consultancy company specialising in the supply of cloud projects and solutions and among the leading Google Cloud partners in the Italian market. Since that date, Noovle S.r.l. and its subsidiaries have been consolidated on a line-by-line basis;
- **Daphne 3 S.p.A. (Domestic Business Unit):** company established on 24 July 2020; the company purpose is the acquisition, holding, management and disposal of equity investments in INWIT - Infrastrutture Wireless Italiane S.p.A.;

- *TIM My Broker S.r.l. (Domestic Business Unit)*: company established on 4 August 2020; the company purpose is mainly insurance intermediation activities pursuant to art. 106 of Legislative Decree no. 209 of 7 September 2005 as subsequently amended and supplemented;
- *Noovle S.p.A. (Domestic Business Unit)*: a company established on 9 October 2020; the company's main business purpose is the planning, design, construction, commissioning and management of Data Centre infrastructure implementation services and “colocation” services;
- *FiberCop S.p.A. (Domestic Business Unit)*: company incorporated on 2 November 2020; the corporate purpose is the design, building, purchase, management, maintenance and sale of infrastructures, networks, cabled access services easement to end customer facilities offered to telecommunications industry operators across Italy;
- *Fiberco Soluções de Infraestrutura Ltda (Brazil Business Unit)*: a telecommunication services company established on 21 December 2020.

Also note that:

- *TIM Participações S.A. (Brazil Business Unit)*: merger by incorporation into TIM S.A. became effective as of September 2020;
- *TN Fiber S.r.l. (Domestic Business Unit)*: merged with TIM S.p.A. on 30 September 2020 with accounting and tax effects backdated to 1 January 2020;
- *TIM Vision S.r.l. (Domestic Business Unit)*: Merged with TIM S.p.A. on 1 October 2020, with retroactive accounting and tax effects backdated to 1 January 2020;
- *H.R. Services S.r.l. (Domestic Business Unit)*: merged with TIM S.p.A. on 31 December 2020 with accounting and tax effects backdated to 1 January 2020;
- *TIMFin*: on 3 November 2020, the Bank of Italy authorised TIMFin, a joint venture between TIM and Santander Consumer Bank to carry out the business of granting loans to the public pursuant to articles 106 *et seq.* of the CLB (registration in the Register of Financial intermediaries is subject to the fulfilment of certain operational requirements). The company - 49% owned by TIM and 51% by Santander - will offer financing services to TIM customers.

The main changes in the scope of consolidation in the year 2019, were as follows:

- *Persidera S.p.A. (Domestic Business Unit)*: sold, after being split into two distinct entities, on 2 December 2019.

Also:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit)*: at 31 December 2019, holding completion of the merger by incorporation of Vodafone Towers S.r.l. into INWIT highly probable within the 2020 financial year, with resulting reduction of the TIM Group's equity investment in INWIT from 60% to 37.5%, the company was stated as “Asset held for sale”. Therefore, the company's assets and liabilities have been reclassified in the “Discontinued operations/Non-current assets held for sale” and “Liabilities directly related to Discontinued operations/Non-current assets held for sale” items of the consolidated statement of financial position as of 31 December 2019. Consolidated income data and cash flows for 2019 included INWIT S.p.A. figures for the full period.
- *Noverca S.r.l. (Domestic Business Unit)*: merged with TIM S.p.A. on 1 November 2019 with accounting and tax effects backdated to 1 January 2019.

TIM GROUP RESULTS FOR THE 2020 FINANCIAL YEAR

Total TIM Group revenues for 2020 amounted to **15,805 million euros**, 12.1% down compared to 2019 (17,974 million euros); the organic change in total revenues is -6.4%.

The analysis of total revenues for 2020, broken down by operating sector, compared to the financial year 2019, is as follows:

(million euros)	2020		2019		Changes		
		% weight		% weight	absolute	%	organic % excluding non- recurrent
Domestic	12,905	81.7	14,078	78.3	(1,173)	(8.3)	(7.7)
Brazil	2,933	18.6	3,937	21.9	(1,004)	(25.5)	(0.6)
Other Operations	—	—	—	—	—	—	—
Adjustments and eliminations	(33)	(0.3)	(41)	(0.2)	8	—	—
Consolidated Total	15,805	100.0	17,974	100.0	(2,169)	(12.1)	(6.4)

The organic change in the Group's consolidated revenues for 2020 is calculated by excluding the negative effect of exchange rate changes¹ of -990 million euros, the changes in the scope of consolidation² for -64 million euros as well as non-recurring components. The adjustments of non-recurring revenues recorded in 2020 (-39 million euros) are connected to the commercial initiatives of TIM S.p.A. to support customers to deal with the COVID-19 emergency, while 2019 was affected by non-recurring charges of 15 million euros relating to adjustments to revenues from previous years.

The company Noovle S.r.l. and its subsidiaries are consolidated on a line-by-line basis since the date on which control was acquired by the TIM Group (21 May 2020). If the acquisition of Noovle S.r.l. had been completed on 1 January 2020, the TIM Group would have posted higher revenues for approximately 14 million euros with insignificant effects on the net profit for the year.

Total revenues for the fourth quarter of 2020 amounted to 4,148 million euros, with an organic change compared to the fourth quarter 2019 of -90 million euros (-2.1%).

TIM Group EBITDA for 2020 came to **6,739 million euros** (8,151 million euros in 2019, -17.3%; -5.9% organic).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for 2020 compared with 2019, are as follows:

(million euros)	2020		2019		Changes		
		% weight		% weight	absolute	%	organic % excluding non- recurrent
Domestic	5,339	79.2	5,708	70.0	(369)	(6.5)	(7.9)
% of Revenues	41.4	—	40.5	—	—	0.9pp	(0.1) pp
Brazil	1,407	20.9	2,451	30.1	(1,044)	(42.6)	3.1
% of Revenues	48.0	—	62.3	—	—	(14.3) pp	1.7pp
Other Operations	(9)	(0.1)	(9)	(0.1)	—	—	—
Adjustments and eliminations	2	—	1	—	1	—	—
Consolidated Total	6,739	100.0	8,151	100.0	(1,412)	(17.3)	(5.9)

¹The average rates of exchange used for the conversion into euros (expressed in terms of local currency units per 1 euro) are 5.88806 in the 2020 financial year and 4.41422 in the 2019 financial year for the Brazilian Real and 1.14179 in the 2020 financial year and 1.11954 in the 2019 financial year for the US Dollar. The impact of the change in the rates of exchange is calculated by applying the conversion rates of the foreign currencies used for the current period to the comparison period.

² For comparison purposes, the changes in the scope of consolidation also include the effects, effective 31 March 2019, of the new Master Service Agreement signed by TIM S.p.A. with INWIT S.p.A. during the first quarter of 2020.

Organic EBITDA net of the non-recurring component stood at **7,063 million euros** accounting for 44.6% of revenues (7,505 million euros in the 2019 financial year, accounting for 44.3% of revenues).

EBITDA for 2020 reflected a total negative impact of 324 million euros referring to net non-recurring expenses, of which 108 related to the COVID-19 emergency in Italy.

In detail:

(million euros)	2020	2019
Non-recurring expenses/(income)		
Revenues		
Revenue adjustments	39	15
Other operating income		
Other operating provisions absorption	(1)	
Brazil Business Unit Tax recovery and Domestic Business Unit operating expenses		(706)
Purchases of goods and services and Change in inventories		
Expenses related to agreements and the development of non-recurring projects	64	21
Personnel cost		
Charges related to corporate reorganization/restructuring and other charges	74	282
Other operating costs		
Other charges and provisions	148	459
Impact on EBITDA	324	71
Sale of Persidera S.p.A. (Domestic BU)		18
Impact on EBIT	324	89

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

(million euros)	2020	2019	Changes	
			absolute	%
EBITDA	6,739	8,151	(1,412)	(17.3)
Foreign currency financial statements translation effect		(614)	614	
Changes in the consolidation scope		(254)	254	
Non-recurring expenses/(income)	324	66	258	
Effect of the conversion of foreign currency non-recurring		156	(156)	
ORGANIC EBITDA excluding non-recurring component	7,063	7,505	(442)	(5.9)
% of Revenues	44.6	44.3		0.3 pp

The EBITDA of the fourth quarter of 2020 totalled 1,621 million euros (1,652 million euros in the fourth quarter of 2019).

Organic EBITDA net of the non-recurring component in the fourth quarter of 2020 totalled 1,764 million euros (1,790 million euros in the fourth quarter of 2019).

TIM Group EBIT for 2020 came to **2,104 million euros** (3,175 million euros in 2019).

Organic EBIT, net of the non-recurring component, stood at 2,428 million euros (2,913 million euros in the 2019 financial year), accounting for 15.3% of revenues (17.2% in 2019).

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

(million euros)	2020	2019	Changes	
			absolute	%
EBIT	2,104	3,175	(1,071)	(33.7)
Foreign currency financial statements translation effect		(324)	324	
Changes in the consolidation scope		(178)	178	
Non-recurring expenses/(income)	324	84	240	
Effect of the conversion of foreign currency non-recurring		156	(156)	
ORGANIC EBIT excluding non-recurring component	2,428	2,913	(485)	(16.6)

The EBIT of the fourth quarter of 2020 totalled 477 million euros (463 million euros in the fourth quarter of 2019).

Organic EBIT net of the non-recurring component in the fourth quarter of 2020 totalled 620 million euros (712 million euros in the fourth quarter of 2019).

The effect of exchange rate changes is essentially related to the Brazil Business Unit.

The **other income (charges) from equity investments** amounted to 454 million euros and related mainly to the net capital gain recognised following the dilution from 60% to 37.5% of the TIM Group's equity investment in the capital of INWIT S.p.A., following the merger of INWIT with Vodafone Towers (441 million euros) and to the capital gains from the sale of shareholdings amounting in total to 7.3% of the share capital of INWIT (11 million euros).

The net profits for 2020 attributable to the Shareholders of the Parent Company came to 7,224 million euros (916 million euros in 2019). Earnings for the 2020 financial year also benefited from the posting of deferred tax assets as a consequence of the tax recognition of greater values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis (5,877 million euros). They also benefited from the positive tax effect due to the lower taxes paid in previous years and generated following the ruling signed on 3 August 2020 with the Italian Revenues Agency for application of the "patent box" facilitation in income tax and IRAP (regional production tax) tax returns for TIM S.p.A. for the years 2015 - 2019 (299 million euros).

The TIM Group **headcount** as of 31 December 2020 was **52,347**, including 42,680 in Italy (55,198 as of 31 December 2019, including 45,266 in Italy) down by 2,851 compared to 31 December 2019, including -2,586 in Italy.

In 2020, Capex amounted to 3,409 million euros (3,784 million euros in 2019).

Capital expenditure and investments in mobile telephony/spectrum licenses are broken down by operating sector as follows:

(million euros)	2020		2019		Changes
		% weight		% weight	
Domestic	2,748	80.6	2,912	77.0	(164)
Brazil	661	19.4	872	23.0	(211)
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	3,409	100.0	3,784	100.0	(375)
% of Revenues	21.6		21.1		0,5pp

In particular:

- the **Domestic Business Unit** posted investments of 2,748 million euros, -164 million euros, -107 million euros in organic terms, compared to 2019, with a view to optimising processes, particularly as a result of the restrictions imposed by the COVID-19 emergency;
- the **Brazil Business Unit** posted Capex of 661 million euros in 2020 (872 million euros in 2019). Excluding the impact of changes in the rates of exchange (-218 million euros), capital expenditure grew by 7 million euros, and was directed primarily at strengthening the mobile UltraBroadBand network infrastructure and developing TIM Live's fixed BroadBand business.

The **Group's Operating Free Cash Flow** is positive by 3,304 million euros (3,807 million euros in 2019), or 3,414 million euros net of 110 million euros paid for the 5G license (3,825 million euros in 2019 compared to 18 million euros).

Adjusted net financial debt was 23,326 million euros as of 31 December 2020, **4,342 million euros lower than on 31 December 2019** (27,668 million euros). Solid operating cash flow generation, also achieved by optimising working capital, guaranteeing the payment of dividends on ordinary and savings shares of TIM S.p.A. for a total of 316 million euros (compared to 166 million euros paid in 2019 to savings shares only), payment of the instalment relating to the 5G licence (110 million euros) and the effects of the INWIT operation, contributed to this reduction. With reference to INWIT in particular, the deconsolidation of the company's debt (643 million euros compared to

31 December 2019) substantially offset the new debt for financial leases in respect of INWIT, now a jointly controlled company (368 million euros), resulting from the simultaneous signing of financial leasing contracts with Vodafone (214 million euros), the collection of dividends (256 million euros, including an extraordinary dividend of 214 million euros), the sale of 4.3% of the equity investment (400 million euros). On 2 October 2020, TIM S.p.A transferred 14.8% of its shareholding in INWIT to Daphne 3 S.p.A. (1,345 million euros) and 1.2% of its shareholding in INWIT to Canson (109 million euros). On 4 December 2020, after exercising an option expiring at the end of the year, TIM S.p.A. sold Canson its residual shareholding in INWIT of 1.8% (161 million euros). Therefore, as a result of these transactions, as of 31 December 2020, INWIT is 30.2% owned by Daphne 3 S.p.A., a company that is 51% controlled by TIM S.p.A.

Furthermore, following the request by TIM S.p.A. to benefit from the “Patent box” facility for the five-year period 2015-2019, 303 million euros have already been collected.

To make the information easier to understand, the following table shows the different ways of representing the Net Financial Debt:

(million euros)	31.12.2020 (a)	31.12.2019 (b)	Changes (a-b)
Net financial debt carrying amount	23,714	28,246	(4,532)
<i>Reversal of fair value measurement of derivatives and associated financial liabilities/assets</i>	(388)	(578)	190
Adjusted Net Financial Debt	23,326	27,668	(4,342)
<i>Leasing</i>	(4,732)	(5,204)	472
<i>Leasing - Discontinued operations/Non-current assets held for sale</i>	—	(571)	571
Adjusted Net Financial Debt - After Lease	18,594	21,893	(3,299)

The **Net Financial Debt Carrying Amount** at 31 December 2020 was 23,714 million euros, 4,532 million euros less than at 31 December 2019 (28,246 million euros). The reversal of the fair value measurement of derivatives and related financial liabilities/assets changed by 190 million euros compared to 31 December 2019, essentially following the marked drop in US dollar interest rates and the related revaluation of hedges on US currency bonds. This change is adjusted in the Financial Debt carrying amount and has no monetary effects.

The **Adjusted Net Financial Debt - After Lease** (net of the impact of all leases), a metric adopted by the main European peers, as of 31 December 2020, was 18,594 million euros, down by 3,299 million euros compared to 31 December 2019 (21,893 million euros). The reduction is less than that shown in the adjusted net financial debt as the effects of the deconsolidation/new debt for IFRS16 purposes related to the INWIT operation and the effects of the exchange rate on the debt for IFRS16 purposes of Brazil are not considered.

In the fourth quarter of 2020 **Adjusted Net Financial Debt** amounted to 23,326 million euros, down by 2,143 million euros compared to 30 September 2020 (25,469 million euros): the improvement is due to the positive effects of the operating cash flow generation and the aforementioned transaction involving INWIT shares.

(million euros)	31.12.2020 (a)	30.9.2020 (b)	Changes (a-b)
Net financial debt carrying amount	23,714	25,632	(1,918)
<i>Reversal of fair value measurement of derivatives and associated financial liabilities/assets</i>	(388)	(163)	(225)
Adjusted net financial debt	23,326	25,469	(2,143)
<i>Detailed as follows:</i>			
Total adjusted gross financial debt	30,193	30,319	(126)
Total adjusted financial assets	(6,867)	(4,850)	(2,017)

The **liquidity margin** available to the TIM Group was 12,621 million euros, and was calculated taking account of:

- “Cash and Cash Equivalents” and “Securities other than investments” for a total of 5,921 million euros (4,015 million euros at 31 December 2019);

- the Revolving Credit Facility of 5,000 million euros and the Bridge to Bond Facility of 1,700 million euros, totally available.

This margin means that the Group's (current and non-current) financial liabilities are covered for the next 30 months.

RESULTS OF THE BUSINESS UNITS

DOMESTIC

The revenues of the Domestic Business Unit amounted to 12,905 million euros, down by 1,173 million euros on the 2019 financial year (-8.3%), having suffered from the challenging competitive scenario and, particularly as regards the Mobile market, the restrictions related to the COVID-19 emergency. Organic revenues, net of the non-recurring component, amounted to 12,944 million euros (-1,081 million euros compared to 2019, -7.7%). Revenues in 2020 in particular fell by 39 million euros, mainly due to revenue adjustments connected with initiatives taken by TIM S.p.A. to support customers in dealing with the COVID-19 emergency. 2019 was affected by non-recurring charges of 15 million euros attributable to adjustments to revenues from previous years.

Domestic Business Unit revenues in the fourth quarter of 2020 amounted to 3,433 million euros, down by 122 million euros compared to the same period of 2019 (-3.4%, -3.0% in organic terms).

Revenues from stand-alone services amounted to 11,605 million euros (-980 million euros compared to 2019, -7.8%) and reflect the impacts of the regulatory and competitive context on the customer base and ARPU levels. Revenues from organic stand-alone services, net of the aforesaid non-recurring components, amounted to 11,643 million euros (-883 million euros compared to 2019, -7.0%).

In detail:

- **revenues from stand-alone Fixed Market Services** amounted, in organic terms, to 8,785 million euros, down by 6.1% compared to 2019, mainly due to fewer subscriptions and lower ARPU levels, which is also reflected in the trend of revenues from broadband services (-170 million euros compared to 2019, -6.9%), partly offset by the growth in revenues from ICT solutions (+134 million euros compared to 2019, amounting to +15.6%);
- **revenues from stand-alone Mobile Market Services** amounted to 3,378 million euros (-397 million euros compared to 2019, -10.5%) and are affected by the negative impact of changes in the competitive dynamics on the customer base, as well as the effects of the regulatory context and the restrictions imposed as a consequence of the health emergency. In **organic terms, net of the aforesaid non-recurring component**, revenues from Mobile stand-alone services amounted to 3,411 million euros (-330 million euros compared to 2019, equal to -8.8%).

Handset and Bundle & Handset revenues, including the changes to work in progress, amounted to 1,301 million euros in 2020, -198 million euros in organic terms compared to 2019, also due to reduced footfall in sales outlets following the restrictive measures related to the COVID-19 emergency.

The performance of the individual market segments of the Domestic Business Unit compared to 2019 was as follows:

- **Consumer:** this includes all the voice and internet services and products managed and developed for individuals and households in the Fixed and Mobile and public telephony business; caring activities, operational credit support, loyalty and retention, related sales activities and the administrative management of customers; TIM Retail is included, which coordinates the business of the Flagship stores. In **organic terms, net of the aforesaid non-recurring component**, revenues from the Consumer segment totalled 5,908 million euros, presenting a trend (-686 million euros, -10.4%), compared to 2019, that is affected by the challenging competitive scenario and greater discipline in commercial processes. The same dynamic observed in overall revenues was also seen in revenues from stand-alone services, which amounted to 5,181 million euros, down by 619 million euros compared to 2019 (-10.7%). In particular:
 - **revenues from stand-alone Mobile Services** amounted, in organic terms, to 2,343 million euros (-226 million euros, -8.8% compared to 2019); in the face of unprecedented competition in the low end of the market, a smaller reduction in the calling customer base was recorded in the fourth quarter. These results

are also affected by the COVID-19 emergency on roaming revenues and the progressive reduction of regulated interconnection rates on incoming traffic;

- **revenues from stand-alone Fixed Services** amounted, in organic terms, to 2,871 million euros (-382 million euros, -11.7% compared to 2019), primarily as a result of the fall in ARPU levels and the smaller Customer Base, the drop in which gradually slowed throughout 2020. The number of broadband customers, particularly Ultra BroadBand, grew, and an improvement was achieved in the 2020 performance compared to 2019 of broadband ARPU starting from the third quarter.

Handset and Bundle & Handset revenues in the Consumer segment amounted to 727 million euros, down by 67 million euros on 2019 (-8.4%), concentrated in the mobile segment due to changes in the commercial strategy for products, focused on protecting the profit margin. The restrictions on circulation due to the COVID-19 health emergency also had an impact on performance: during the lockdown, the volume of smartphones sold fell compared to 2019 and only recovered to normal levels in July.

- **Business:** this includes all voice, data, internet services and products and ICT solutions managed and developed for SME (Small and Medium Enterprises), SOHO (Small Office Home Office), Top, Public Sector, Large Account and Enterprise customers, both Fixed and Mobile. The following companies are included: Olivetti, TI Trust Technologies and Telsy, and from June 2020 the Noovle Group. In **organic terms, net of the aforesaid non-recurring component**, revenues for the Business segment amounted to 4,113 million euros, (-512 million euros compared to 2019, -11.1%, including a fall of 8.1% in revenues from the stand-alone services component). In particular:
 - **total Mobile market revenues** showed an organic performance compared to 2019 (-11.8%), linked to the revenues from stand-alone services component (-11.8%) and the ARPU trend;
 - **total Fixed market revenues** in organic terms changed by -386 million euros compared to 2019 (-10.7%), with the revenues from services component (-6.8%) influenced by a price trend partly offset by higher revenues from ICT services.
- **Wholesale National Market:** this includes the management and development of wholesale services, both regulated and unregulated, for Fixed and Mobile telecommunications operators in the domestic market. The following companies are included: TI San Marino and Telefonía Mobile Sammarinese. The Wholesale National Market segment presented revenues of 1,917 million euros in the 2020 financial year, an increase of 74 million euros (+4.0%) on 2019, with a positive performance primarily driven by the growth in subscriptions driven by the Ultra BroadBand sector.
- **Wholesale International Market:** this includes the activities of the Telecom Italia Sparkle group, which operates in the international voice, data and internet services market for fixed and mobile telecommunications operators, ISP/ASP (Wholesale market) and multinational companies through proprietary networks in European, Mediterranean and South American markets. Revenues for 2020 in the International Wholesale Market came to 966 million euros, up by 19 million euros (+2.0%) compared to 2019, with negligible effects on the EBITDA. This performance is mainly connected to the supply of capacity in the data business.

Domestic Business Unit EBITDA in 2020 totalled 5,339 million euros, (-369 million euros compared to 2019, -6.5%), with a margin of 41.4%, (+0.9 percentage points compared to the previous year).

Organic EBITDA, net of the non-recurring component, amounted to 5,658 million euros, (-486 million euros compared to 2019, -7.9%). In particular, the EBITDA in 2020 fell by -319 million euros, including -108 million euros attributable to the COVID-19 emergency in Italy and mainly relating to the impacts of TIM S.p.A.'s commercial initiatives to support customers, as well as the effects of macroeconomic difficulties on provisions and charges related to credit management. Furthermore, the non-recurring charges include charges connected with corporate reorganisation/restructuring processes, provisions for disputes, regulatory sanctions and contingent liabilities related to them, as well as charges connected with agreements and the development of non-recurring projects.

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

(million euros)	2020	2019	Changes	
			absolute	%
EBITDA	5,339	5,708	(369)	(6.5)
Foreign currency financial statements translation effect	—	(1)	1	—
Changes in the consolidation scope	—	(254)	254	—
Non-recurring charges/(income)	319	691	(372)	(54.0)
ORGANIC EBITDA excluding non-recurring component	5,658	6,144	(486)	(7.9)

EBITDA in the fourth quarter of 2020 was 1,258 million euros, (+104 million euros compared with 2019, 9.0%).

Domestic Business Unit EBIT for 2020 totalled 1,635 million euros, (-252 million euro less than 2019, -13.4%), with a margin of 12.7%, (-0.7 percentage points compared to the previous year).

Organic EBIT, net of the non-recurring component, amounted to 1,954 million euros (-464 million euros less than 2019, -19.2%), with a margin of 15.1% (17.2% in 2019).

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

(million euros)	2020	2019	Changes	
			absolute	%
EBIT	1,635	1,887	(252)	(13.4)
Changes in the consolidation scope	—	(178)	178	—
Non-recurring charges/(income)	319	709	(390)	(55.0)
ORGANIC EBIT excluding non-recurring component	1,954	2,418	(464)	(19.2)

EBIT in the fourth quarter of 2020 was 323 million euros, (+130 million euros compared with 2019, +67.4%).

The **headcount** stood at 42,925 employees (45,496 as of 31 December 2019), down by 2,571.

BRAZIL (average real/euro exchange rate 5.88806)

The 2020 revenues of the Brazil Business Unit (TIM Brasil group) amounted to 17,268 million reais (17,377 million reais in 2019, -0.6%).

Revenues from services totalled 16,665 million reais, (+68 million reais compared to the 16,597 million reais in 2019, +0.4%).

Revenues from the sale of products came to 603 million reais (780 million reais in 2019). The fall reflects the impact of the lockdown for between two and three months across 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 objectives of the new strategy are to develop the sale of new handsets that enable the use of broadband services on the 3G/4G networks by TIM customers, and to support the new offers to retain the highest value post-paid customers.

Revenues in the fourth quarter of 2020 totalled 4,678 million reais, increased by 2.0% on the fourth quarter of 2019 (4,586 million reais).

The **mobile ARPU** for 2020 was 24.9 reais, up from the figure recorded in 2019 (23.7 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.

The **total number of lines as of 31 December 2020** amounted to 51.4 million, -3.0 million compared to 31 December 2019 (54.4 million). This change is mainly attributable to the prepaid segment (-3.4 million), partially offset by the growth in the post-paid segment (+0.4 million), also as a result of the ongoing consolidation in the second SIM card market. Post-paid customers represented 42.4% of the customer base as of 31 December 2020, 3.0 percentage points higher than at December 2019 (39.4%).

EBITDA in 2020 was 8,282 million reais (10,820 million reais in 2019) and the margin on revenues was 48.0% (62.3% in 2019).

The EBITDA in 2019 benefited from non-recurring net income of 2,760 million reais as the balance of 3,024 million reais of income related to the recognition of tax credits following the favourable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution and 264 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, in addition to liabilities in respect of customers and/or suppliers and charges connected with company reorganisation/restructuring.

EBITDA in 2020 was affected by non-recurring charges of 27 million reais, mainly connected with agreements and the development of non-recurring projects.

Organic EBITDA, net of the non-recurring component increased by 3.1% and was calculated as follows:

(million reais)	2020	2019	Changes	
			absolute	%
EBITDA	8,282	10,820	(2,538)	(23.5)
Non-recurring expenses/(income)	27	(2,760)	2,787	
ORGANIC EBITDA - excluding non-recurring component	8,309	8,060	249	3.1

The growth is attributable to the improved efficiency of the operating cost structure during the COVID-19 emergency.

The respective margin on revenues stood at 48.1%, an increase in organic terms of 1.7 percentage points compared to 2019.

EBITDA in the fourth quarter of 2020 was 2,336 million reais, increased by 38 million euros compared with the fourth quarter of 2019.

Net of non-recurring income (expenses), the margin on revenues for the fourth quarter of 2020 was 50.5% (50.1% in the fourth quarter of 2019).

EBIT for 2020 was 2,801 million reais (5,726 million reais in 2019).

In 2019, the EBIT also benefited from net non-recurring proceeds of 2,760 million reais recorded under EBITDA.

Organic EBIT, net of the non-recurring component, in 2020 amounted to 2,828 million reais (2,966 million reais in 2019), with a margin on revenues of 16.4% (17.1% in 2019).

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

(million reais)	2020	2019	Changes	
			absolute	%
EBIT	2,801	5,726	(2,925)	(51.1)
Non-recurring expenses/(income)	27	(2,760)	2,787	
ORGANIC EBIT - excluding non-recurring component	2,828	2,966	(138)	(4.7)

The EBIT of the fourth quarter of 2020 totalled 974 million reais (1,250 million reais in the fourth quarter of 2019).

Net of non-recurring income (expenses), the EBIT margin for the fourth quarter of 2020 was 21.4% (27.3% in the fourth quarter of 2019).



During 2020, the exchange rate used to convert Brazilian reais into euros (expressed in terms of local currency units per 1 euro) rose from 4.52808 as of 31 December 2019 to 6.3768 as of 31 December 2020. This led, among other things, to a 247 million euro decrease in the value of goodwill attributed to the Brazil Cash Generating Unit expressed in euros.

The **headcount** was 9,409, down by 280 compared to 31 December 2019 (9,689).

THE RESULTS OF TIM S.p.A.

Revenues in 2020 amounted to 12,030 million euros (13,137 million euros in 2019), with a decrease of 1,107 million euros, or -8.4%. Revenues for the financial year included 39 million euros relating to non-recurring components, including 38 million euros connected to the commercial initiatives of TIM S.p.A. to support customers to deal with the COVID-19 emergency; 2019 was affected by non-recurring charges of 15 million euros relating to adjustments to revenues from previous years.

Revenues from Stand-Alone Services amounted to 10,759 million euros (-915 million euros compared to 2019, equal to -7.8%) and are affected by the regulatory and competitive scenario, and by the restrictions connected with the health emergency. In particular, revenues from Fixed market Stand-alone services fell (-581 million euros, -6.8% compared to the previous year), as did revenues from Mobile market Stand-alone services (-360 million euros, -9.7% compared to the previous year).

Handset and Bundle & Handset revenues, including the changes to work in progress, amounted to 1,271 million euros in 2020, down by 192 million euros compared to 2019, particularly due to reduced footfall in sales outlets following the restrictive measures related to the COVID-19 emergency.

EBITDA in 2020 totalled 5,180 million euros (5,482 million euros in 2019), with a margin of 43.1% (41.7% in 2019), 1.4 percentage points higher.

Organic EBITDA - net of the non-recurring component - came to 5,491 million euros, with a margin of 45.5% (46.8% in 2019), down by 659 million euros compared to the previous financial year. Performance was affected by the start on 31 March 2020 of the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A., now under joint TIM-Vodafone control, which regulates the so-called hospitality services on INWIT sites. The new MSA provides for accounting for the amounts in costs for services on an accruals basis, with the exception of the 3,500 strategic sites, which are accounted for as leases under IFRS 16, for a duration of 8 years, given that control of those strategic sites still belongs to TIM S.p.A. Without this impact, organic EBITDA net of the non-recurring component would be down by approximately 470 million euros on 2019.

In 2020 TIM S.p.A. recorded non-recurring net charges of 311 million euros in total, 106 million euros of them attributable to the COVID-19 emergency in Italy. Further details are provided in the Note "Significant non-recurring events and transactions" of the Separate Financial Statements at 31 December 2020 of TIM S.p.A.

In 2019, TIM S.p.A. recognized non-recurring charges totalling 668 million euros, mainly relating to provisions for regulatory disputes and related contingent liabilities, to liabilities with customers and/or suppliers and to charges related to corporate reorganization/restructuring as well as to the aforementioned adjustments to revenues from previous years.

In 2020 the **EBIT** was 1,576 million euros (1,722 million euros in 2019), 146 million euros less than the previous year, with an EBITDA margin of 13.1% (13.1% in 2019).

Organic EBIT, net of the non-recurring component, amounted to 1,887 million euros (2,390 million euros in 2019), with a margin of 15.6% (18.2% in 2019) and is affected by the same dynamics already seen in the EBITDA. In particular, TIM S.p.A. recorded net non-recurring charges of 311 million euros in total in 2020; EBIT in 2019 was affected by the negative impact of non-recurring charges of 668 million euros.

Earnings in 2020 were positive in the amount of 7,161 million euros (positive in the amount of 382 million euros in 2019) and were positively affected by non-recurring net incomes of 5,831 million euros.

In comparable terms, the 2020 result would be positive by approximately 1.3 billion euros, up by approximately 0.4 billion euros on 2019.

In particular, tax proceeds of 5,995 million euros were recorded in 2020 (taxes of 190 million euros in 2019). Tax proceeds mainly relate to the posting of deferred tax assets as a consequence of the tax recognition of greater values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis (5,877 million euros). The item also benefited from the positive tax effect due to the lower taxes paid in previous years and generated following the ruling signed on 3 August 2020 with the Italian Revenues Agency for application of the “patent box” facilitation in income tax and IRAP (regional production tax) tax returns for TIM S.p.A. for the years 2015 - 2019 (299 million euros).

AFTER LEASE INDICATORS

In order to allow a better understanding of the operations and financial position, in addition to the conventional financial indicators envisaged by the IFRS, the TIM Group uses some alternative performance indicators. In particular, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

TIM GROUP EBITDA ADJUSTED AFTER LEASE

(million euros)	2020	2019	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	7,063	7,505	(442)	(5.9)
Leasing fees	(814)	(853)	39	4.5
EBITDA adjusted After Lease (EBITDA-AL)	6,249	6,652	(403)	(6.1)

EBITDA ADJUSTED AFTER LEASE DOMESTIC

(million euros)	2020	2019	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	5,658	6,144	(486)	(7.9)
Leasing fees	(523)	(577)	54	9.4
EBITDA adjusted After Lease (EBITDA-AL)	5,135	5,567	(432)	(7.8)

EBITDA ADJUSTED AFTER LEASE BRAZIL

(million euros)	2020	2019	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	1,412	1,369	43	3.1
Leasing fees	(291)	(276)	(15)	(5.6)
EBITDA adjusted After Lease (EBITDA-AL)	1,121	1,093	28	2.5

TIM GROUP ADJUSTED NET FINANCIAL DEBT AFTER LEASE

(million euros)	31.12.2020	31.12.2019	Changes
Leasing	(4,732)	(5,775)	1,043
Adjusted Net Financial Debt - After Lease	18,594	21,893	(3,299)

EQUITY FREE CASH FLOW AFTER LEASE TIM GROUP

(million euros)	2020	2019	Changes
Leasing	(799)	(797)	(2)
EQUITY FREE CASH FLOW AFTER LEASE	1,615	1,534	81

TIM S.p.A. EBITDA ADJUSTED AFTER LEASE

(million euros)	2020	2019	Changes	
			absolute	%
ORGANIC EBITDA - excluding non-recurring component	5,491	6,150	(659)	(10.7)
Leasing fees	(599)	(824)	225	(27.3)
EBITDA adjusted After Lease (EBITDA-AL)	4,892	5,326	(434)	(8.1)

TIM S.p.A. ADJUSTED NET FINANCIAL DEBT AFTER LEASE

(million euros)	31.12.2020	31.12.2019	Changes
Adjusted Net Financial Debt	25,783	29,740	(3,957)
Leasing	(3,908)	(4,656)	748
Adjusted Net Financial Debt - After Lease	21,875	25,084	(3,209)

TIM S.p.A. EQUITY FREE CASH FLOW AFTER LEASE

(million euros)	2020	2019	Changes
EQUITY FREE CASH FLOW	2,060	2,228	(168)
Leasing	(558)	(684)	126
EQUITY FREE CASH FLOW AFTER LEASE	1,502	1,544	(42)

BUSINESS OUTLOOK FOR THE YEAR 2021

See the press release on the 2021-2023 Strategic Plan, published issued on 23 February 2021

EVENTS SUBSEQUENT TO 31 DECEMBER 2020

TIM: FIRST SUSTAINABILITY BOND PLACED WITH A MATURITY OF 8 YEARS

See the press release issued on 11 January 2021.

NOOVLE S.P.A., THE BIGGEST CLOUD PROJECT FOR ITALY IS ESTABLISHED

See the press release issued on 25 January 2021.

TIM S.A. OBTAINS RIGHT TO EXERCISE SUBSCRIPTION BONUSES AT BANK C6

TIM S.A. obtained, within the scope of the strategic partnership signed with Banco C6 S.A. the right to exercise subscription bonuses equivalent to an indirect stake of approximately 1.4% of C6's share capital as a result of reaching, in December 2020, the 1st level of the agreed goals. This right will be exercised when the Company's



management deems it to be most appropriate. It is important to note that the Subscription Bonuses will grant TIM S.A., when exercised, a minority position without control or significant influence over the management of C6.

C6 is a digital bank with outstanding growth in Brazil, being the institution that grew the most in the third quarter of 2020 and surpassing more than 4 million opened accounts until November. The Bank has approximately 5.3 billion reais in total assets and transacts more than 1.5 billion reais per month in its payment platform.

In less than a year, the Partnership between companies has generated a significant number of accounts opened through the combined offers of telecommunications and financial services, which reinforces the relationship between TIM and C6 with significant results and confirms the innovative character focused on convenience for the customer.

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The Executive responsible for preparing the corporate accounting documents, 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.