FINANCIAL INFORMATION AT MARCH 31, 2021

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

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TIM's Board of Directors met on May, 19 2021 under the chairmanship of Salvatore Rossi and approved the Financial Report at March 31, 2021.

PERFORMANCE IN THE FIRST QUARTER 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%).

Organic results [1]

(million euros)	1st Quarter 2021 (a)	1st Quarter 2020 comparable (b)	Change %
TOTAL REVENUES	**3,752**	**3,752**	**—**
Domestic	3,101	3,121	(0.6)
Brazil	658	639	3.0
Other Operations, adjustments and eliminations	(7)	(8)	—
SERVICE REVENUES	**3,387**	**3,476**	(2.5)
Domestic	2,753	2,864	(3.9)
o/w Wireline	2,138	*2,149*	*(0.5)*
o/w Mobile	757	*853*	*(11.3)*
Brazil	641	620	3.3
Other Operations, 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 Operations, 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 Operations, 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 **Instituto 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.

INTRODUCTION

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 changes[1] (-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*			*(15.0pp)*	*(0.9pp)*
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)**

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%).

First quarter 2021 EBITDA suffered non-recurring expenses for a total of 401 million euros (34 million euros in the first quarter of 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.

[1] The 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.

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 (a)	12/31/2020 (b)	Change (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 first quarter 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 first quarter 2020, revenues from Mobile stand-alone services fell by 96 million euros compared to first quarter 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 Telefonia 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 the first quarter of 2021 in the International Wholesale Market segment came to 218 million euros, slightly down (-3 million euros, -1.4%) on the first quarter of 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 2020 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.

ATTACHMENTS

TIM GROUP – RECLASSIFIED STATEMENTS

The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity as well as the Consolidated Net Financial Debt of the TIM Group, herewith presented, are consistent with the consolidated financial statements included in the Annual Financial Report and in the Half-Year Financial Report. Such statements were not audited by the audit firm.

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2020, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2021.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(million euros)	1st Quarter 2021	1st Quarter 2020	Changes	
			(a-b)	
	(a)	(b)	absolute	%
Revenues	**3,752**	**3,964**	**(212)**	**(5.3)**
Other income	109	40	69	—
Total operating revenues and other income	**3,861**	**4,004**	**(143)**	**(3.6)**
Acquisition of goods and services	(1,575)	(1,454)	(121)	(8.3)
Employee benefits expenses	(1,038)	(715)	(323)	(45.2)
Other operating expenses	(239)	(272)	33	12.1
Change in inventories	49	33	16	48.5
Internally generated assets	119	139	(20)	(14.4)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**1,177**	**1,735**	**(558)**	**(32.2)**
Depreciation and amortization	(1,130)	(1,201)	71	5.9
Gains (losses) on disposals of non-current assets	(2)	(1)	(1)	—
Impairment reversals (losses) on non-current assets	—	—	—	—
Operating profit (loss) (EBIT)	**45**	**533**	**(488)**	**(91.6)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	11	—	11	—
Other income (expenses) from investments	—	441	(441)	—
Finance income	401	410	(9)	(2.2)
Finance expenses	(689)	(711)	22	3.1
Profit (loss) before tax from continuing operations	**(232)**	**673**	**(905)**	**—**
Income tax expense	38	(82)	120	—
Profit (loss) from continuing operations	**(194)**	**591**	**(785)**	**—**
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	**(194)**	**591**	**(785)**	**—**
Attributable to:				
Owners of the Parent	**(216)**	**560**	**(776)**	**—**
Non-controlling interests	22	31	(9)	(29.0)

TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(million euros)		1st Quarter 2021	1st Quarter 2020
Profit (loss) for the period	(a)	(194)	591
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(10)
Income tax effect		—	—
	(b)	3	(10)
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		—	—
Income tax effect		—	—
	(c)	—	—
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(e=b+c+d)	3	(10)
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(6)	(21)
Loss (profit) transferred to Separate Consolidated Income Statement		(1)	3
Income tax effect		1	(1)
	(f)	(6)	(19)
Hedging instruments:			
Profit (loss) from fair value adjustments		133	868
Loss (profit) transferred to Separate Consolidated Income Statement		(245)	(104)
Income tax effect		27	(185)
	(g)	(85)	579
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(175)	(1,125)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	(175)	(1,125)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	—	—
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	(k=f+g+h+i)	(266)	(565)
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	(263)	(575)
Total comprehensive income (loss) for the period	(a+m)	(457)	16
Attributable to:			
Owners of the Parent		(423)	331
Non-controlling interests		(34)	(315)

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(million euros)		3/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		22,820	22,847	(27)
Intangible assets with a finite useful life		6,477	6,740	(263)
		29,297	**29,587**	**(290)**
Tangible assets				
Property, plant and equipment owned		**12,980**	**13,141**	**(161)**
Rights of use assets		**4,851**	**4,992**	**(141)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		2,775	2,728	47
Other investments		57	54	3
Non-current financial receivables arising from lease contracts		45	43	2
Other non-current financial assets		2,043	2,267	(224)
Miscellaneous receivables and other non-current assets		2,072	2,114	(42)
Deferred tax assets		7,547	7,496	51
		14,539	**14,702**	**(163)**
Total Non-current assets	(a)	**61,667**	**62,422**	**(755)**
Current assets				
Inventories		331	287	44
Trade and miscellaneous receivables and other current assets		4,298	4,280	18
Current income tax receivables		30	86	(56)
Current financial assets				
Current financial receivables arising from lease contracts		*67*	*55*	*12*
Securities other than investments, other financial receivables and other current financial assets		*2,963*	*1,254*	*1,709*
Cash and cash equivalents		*4,370*	*4,829*	*(459)*
		7,400	**6,138**	**1,262**
Current assets sub-total		**12,059**	**10,791**	**1,268**
Discontinued operations /Non-current assets held for sale				
of a financial nature		—	—	—
of a non-financial nature		—	—	—
		—	—	—
Total Current assets	(b)	**12,059**	**10,791**	**1,268**
Total Assets	(a+b)	**73,726**	**73,213**	**513**

The company has not found any evidence that the value of assets with an indefinite life is likely to be impaired in the long term compared to the value measured for the purposes of the 2020 financial statements.

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

(million euros)		3/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		25,383	26,215	(832)
Non-controlling interests		4,439	2,625	1,814
Total Equity	(c)	**29,822**	**28,840**	**982**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		21,357	23,655	(2,298)
Non-current financial liabilities for lease contracts		4,061	4,199	(138)
Employee benefits		939	724	215
Deferred tax liabilities		224	277	(53)
Provisions		769	770	(1)
Miscellaneous payables and other non-current liabilities		3,526	3,602	(76)
Total Non-current liabilities	(d)	**30,876**	**33,227**	**(2,351)**
Current liabilities				
Current financial liabilities for financing contracts and others		5,127	3,677	1,450
Current financial liabilities for lease contracts		615	631	(16)
Trade and miscellaneous payables and other current liabilities		7,031	6,567	464
Current income tax payables		255	271	(16)
Current liabilities sub-total		**13,028**	**11,146**	**1,882**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature		—	—	—
of a non-financial nature		—	—	—
		—	**—**	**—**
Total Current Liabilities	(e)	**13,028**	**11,146**	**1,882**
Total Liabilities	(f=d+e)	**43,904**	**44,373**	**(469)**
Total Equity and Liabilities	(c+f)	**73,726**	**73,213**	**513**

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)		1st Quarter 2021	1st Quarter 2020
Cash flows from operating activities:			
Profit (loss) from continuing operations		(194)	591
Adjustments for:			
Depreciation and amortization		1,130	1,201
Impairment losses (reversals) on non-current assets (including investments)		3	16
Net change in deferred tax assets and liabilities		(80)	(1)
Losses (gains) realized on disposals of non-current assets (including investments)		2	(439)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(11)	—
Change in provisions for employee benefits		262	(8)
Change in inventories		(46)	(23)
Change in trade receivables		66	259
Change in trade payables		(121)	(394)
Net change in income tax receivables/payables		39	64
Net change in miscellaneous receivables/payables and other assets/liabilities		211	1,104
Cash flows from (used in) operating activities	**(a)**	**1,261**	**2,370**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(874)	(1,136)
Capital grants received		—	23
Acquisition of control of companies or other businesses, net of cash acquired		—	—
Acquisitions/disposals of other investments		(37)	(2)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		67	27
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets		3	2
Cash flows from (used in) investing activities	**(b)**	**(841)**	**(1,119)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(297)	(200)
Proceeds from non-current financial liabilities (including current portion)		1,501	976
Repayments of non-current financial liabilities (including current portion)		(1,521)	(1,109)
Changes in hedging and non-hedging derivatives		(204)	(732)
Share capital proceeds/reimbursements (including subsidiaries)		—	—
Dividends paid		(24)	(40)
Changes in ownership interests in consolidated subsidiaries		—	(1)
Cash flows from (used in) financing activities	**(c)**	**(545)**	**(1,106)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**(125)**	**145**
Net cash and cash equivalents at beginning of the period	**(f)**	**4,508**	**3,202**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(14)	(83)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**4,369**	**3,264**

Purchases of intangible, tangible and rights of use assets

(million euros)	1st Quarter 2021	1st Quarter 2020
Purchase of intangible assets	(178)	(226)
Purchase of tangible assets	(501)	(367)
Purchase of rights of use assets	(120)	(570)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(799)	(1,163)
Change in payables arising from purchase of intangible, tangible and rights of use assets	(75)	27
Total purchases of intangible, tangible and rights of use assets on a cash basis	(874)	(1,136)

Additional Cash Flow information

(million euros)	1st Quarter 2021	1st Quarter 2020
Income taxes (paid) received	(9)	(37)
Interest expense paid	(459)	(499)
Interest income received	84	77
Dividends received	—	—

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Quarter 2021	1st Quarter 2020
Net cash and cash equivalents at beginning of the period:		
Cash and cash equivalents - from continuing operations	4,829	3,138
Bank overdrafts repayable on demand – from continuing operations	(321)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	65
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,508	**3,202**
Net cash and cash equivalents at end of the period:		
Cash and cash equivalents - from continuing operations	4,370	3,265
Bank overdrafts repayable on demand – from continuing operations	(1)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,369	**3,264**

TIM GROUP - CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2020 to March 31, 2020

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total**		
Balance at December 31, 2019	**11,587**	**2,094**	**19**	**(440)**	**(1,417)**	**(124)**	**—**	**8,561**	**20,280**	**2,346**	**22,626**
Changes in equity during the period:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	—	**—**
Total comprehensive income (loss) for the period	—	—	(29)	579	(779)	—	—	560	**331**	(315)	**16**
Issue of equity instruments	—	—	—	—	—	—	—	(5)	**(5)**	—	**(5)**
INWIT - deconsolidation	—	—	—	—	—	—	—	—	**—**	(644)	**(644)**
Other changes	—	—	—	—	—	—	—	17	**17**	1	**18**
Balance at March 31, 2020	**11,587**	**2,094**	**(10)**	**139**	**(2,196)**	**(124)**	**—**	**9,133**	**20,623**	**1,388**	**22,011**

Changes from January 1, 2021 to March 31, 2021

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total**		
Balance at December 31, 2020	**11,588**	**2,133**	**20**	**(350)**	**(2,538)**	**(119)**	**—**	**15,481**	**26,215**	**2,625**	**28,840**
Changes in equity during the period:											
Dividends approved	—	—	—	—	—	—	—	(318)	**(318)**	—	**(318)**
Total comprehensive income (loss) for the period	—	—	(3)	(85)	(119)	—	—	(216)	**(423)**	(34)	**(457)**
Issue of equity instruments	4	—	—	—	—	—	—	1	**5**	—	**5**
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	**(98)**	1,848	**1,750**
Other changes	—	—	—	—	—	—	—	2	**2**	—	**2**
Balance at March 31, 2021	**11,592**	**2,133**	**17**	**(435)**	**(2,657)**	**(119)**	**—**	**14,852**	**25,383**	**4,439**	**29,822**

TIM GROUP - NET FINANCIAL DEBT

(million euros)	3/31/2021 (a)	12/31/2020 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	16,972	18,856	(1,884)
Amounts due to banks, other financial payables and liabilities	4,385	4,799	(414)
Non-current financial liabilities for lease contracts	4,061	4,199	(138)
	25,418	**27,854**	**(2,436)**
Current financial liabilities (*)			
Bonds	3,373	988	2,385
Amounts due to banks, other financial payables and liabilities	1,754	2,689	(935)
Current financial liabilities for lease contracts	615	631	(16)
	5,742	**4,308**	**1,434**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	**31,160**	**32,162**	**(1,002)**
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(45)	(43)	(2)
Financial receivables and other non-current financial assets	(2,043)	(2,267)	224
	(2,088)	**(2,310)**	**222**
Current financial assets			
Securities other than investments	(986)	(1,092)	106
Current financial receivables arising from lease contracts	(67)	(55)	(12)
Financial receivables and other current financial assets	(1,977)	(162)	(1,815)
Cash and cash equivalents	(4,370)	(4,829)	459
	(7,400)	**(6,138)**	**(1,262)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	**(9,488)**	**(8,448)**	**(1,040)**
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)**
Breakdown as follows:			
Total adjusted gross financial debt	**29,442**	**30,193**	**(751)**
Total adjusted financial assets	**(8,287)**	**(6,867)**	**(1,420)**
(*) of which current portion of medium/long-term debt:			
Bonds	*3,373*	*988*	*2,385*
Amounts due to banks, other financial payables and liabilities	*1,423*	*1,541*	*(118)*
Current financial liabilities for lease contracts	*611*	*628*	*(17)*

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(million euros)	1st Quarter 2021 (a)	1st Quarter 2020 (b)	Change (a-b)
EBITDA	1,177	1,735	(558)
Capital expenditures on an accrual basis	(691)	(599)	(92)
Change in net operating working capital:	281	(229)	510
Change in inventories	*(46)*	*(23)*	*(23)*
Change in trade receivables	*66*	*259*	*(193)*
Change in trade payables	*(305)*	*(931)*	*626*
Other changes in operating receivables/payables	*566*	*466*	*100*
Change in provisions for employee benefits	262	(8)	270
Change in operating provisions and Other changes	(274)	(111)	(163)
Net operating free cash flow	**755**	**788**	**(33)**
% of Revenues	*20.1*	*19.9*	*0.2pp*
Sale of investments and other disposals flow	4	618	(614)
Share capital increases/reimbursements, including incidental expenses	—	—	—
Financial investments	(37)	(5)	(32)
Dividends payment	(24)	(40)	16
Increases in lease contracts	(108)	(564)	456
Finance expenses, income taxes and other net non-operating requirements flow	1,581	126	1,455
Reduction/(Increase) in adjusted net financial debt from continuing operations	**2,171**	**923**	**1,248**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	**2,171**	**923**	**1,248**

Equity Free Cash Flow

(million euros)	1st Quarter 2021	1st Quarter 2020	Change
Net Operating Free Cash Flow	**755**	**788**	**(33)**
Financial management	(288)	(295)	7
Income taxes and Other	2	(27)	29
Equity Free Cash Flow	**469**	**466**	**3**

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

(million euros)	1st Quarter 2021	1st Quarter 2020	Changes (a-b)		
	(a)	(b)	absolute	%	% organic excluding non-recurring
Revenues	3,101	3,113	(12)	(0.4)	(0.6)
EBITDA	875	1,346	(471)	(35.0)	(2.6)
% of Revenues	*28.2*	*43.2*		*(15.0)pp*	*(0.9)pp*
EBIT	(43)	430	(473)	—	(8.4)
% of Revenues	*(1.4)*	*13.8*		*(15.2)pp*	*(1.0)pp*
Headcount at period-end (number) (°)	43,004	(*)42,925	79	0.2	

(°) Includes employees with temp work contracts: 12 units at March 31, 2021 (14 units at December 31, 2020)
(*) Headcount at December 31, 2020

Fixed

	3/31/2021	12/31/2020	3/31/2020
Total TIM Retail accesses (thousands)	8,774	8,791	9,002
of which NGN (1)	4,695	4,432	3,812
Total TIM Wholesale accesses (thousands)	7,908	7,974	8,003
of which NGN	4,381	4,220	3,549
Active Broadband accesses of TIM Retail (thousands)	7,746	7,635	7,567
Consumer ARPU (€/month) (2)	31.8	33.0	33.8
Broadband ARPU (€/month) (3)	24.4	25.4	25.6

(1) UltraBroadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).
(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
(3) Revenues from organic broadband services in proportion to the average active TIM retail broadband accesses.

Mobile

	3/31/2021	12/31/2020	3/31/2020
Lines at period end (thousands)	30,222	30,170	30,522
of which Human	*19,554*	*19,795*	*20,424*
Churn rate (%) (4)	3.8	18.6	5.3
Broadband users (thousands) (5)	12,864	12,818	12,673
Retail ARPU (€/month) (6)	7.5	8.0	8.3
Human ARPU (€/month) (7)	11.4	12.1	12.3

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.
(5) Mobile lines using data services.
(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.
(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

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

(million euros)	1st Quarter 2021	1st Quarter 2020	Changes		
			absolute	%	% organic excluding non-recurring
Revenues	**3,101**	**3,113**	**(12)**	**(0.4)**	**(0.6)**
Consumer	1,409	1,473	(64)	(4.3)	(4.6)
Business	983	986	(3)	(0.3)	(1.3)
National Wholesale Market	495	434	61	14.0	14.0
International Wholesale Market	218	221	(3)	(1.4)	0.5
Other	(4)	(1)	(3)	—	—

Brazil

	(million euros)		(million Brazilian reais)		Changes		
	1st Quarter 2021	1st Quarter 2020	1st Quarter 2021	1st Quarter 2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	658	859	4,340	4,215	125	3.0	3.0
EBITDA	304	390	2,008	1,916	92	4.8	4.8
% of Revenues	*46.3*	*45.5*	*46.3*	*45.5*		*0.8pp*	*0.8pp*
EBIT	90	105	592	515	77	15.0	15.0
% of Revenues	*13.6*	*12.2*	*13.6*	*12.2*		*1.4pp*	*1.4pp*
Headcount at period-end (number)			9,177	(°)9,409	(232)	(2.5)	

(°) Headcount at December 31, 2020.

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	1st Quarter 2021 (a)	Year 2020 (b)	1st Quarter 2020 (c)	Change (a-c)
Average salaried workforce – Italy	40,932	40,140	41,271	(339)
Average salaried workforce – Outside Italy	9,099	8,959	9,387	(288)
Total average salaried workforce (1)	**50,031**	**49,099**	**50,658**	**(627)**

(1) Includes employees with temp work contracts: 12 average employees in Italy in the first quarter of 2021; 9 average employees in Italy in 2020; 4 average employees in Italy in the first quarter of 2020.

Headcount at period end

(number)	3/31/2021 (a)	12/31/2020 (b)	3/31/2020 (c)	Change (a-b)
Headcount – Italy	42,759	42,680	45,146	79
Headcount – Outside Italy	9,435	9,667	9,823	(232)
Total headcount at period end (1)	**52,194**	**52,347**	**54,969**	**(153)**

(1) Includes employees with temp work contracts: 12 employees in Italy at 3/31/2021; 14 employees in Italy at 12/31/2020; 4 employees in Italy at 3/31/2020.

Headcount at period end – Breakdown by Business Unit

(number)	3/31/2021 (a)	12/31/2020 (b)	3/31/2020 (c)	Change (a-b)
Domestic	43,004	42,925	45,380	79
Brazil	9,177	9,409	9,576	(232)
Other Operations	13	13	13	—
Total	**52,194**	**52,347**	**54,969**	**(153)**

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

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

(million euros)	1st Quarter 2021	1st Quarter 2020
Revenues:		
Revenue adjustments	—	(15)
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(10)	(9)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(311)	(4)
Other operating expenses:		
Sundry expenses and other provisions	(80)	(11)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(401)**	**(39)**
Impact on EBIT - Operating profit (loss)	**(401)**	**(39)**
Other income (expenses) from investments:		
Net gain INWIT transactions	—	441
Finance expenses:		
Miscellaneous finance expenses	(1)	(1)
Impact on profit (loss) before tax from continuing operations	**(402)**	**401**
Income taxes on non-recurring items	92	12
Impact on profit (loss) for the period	**(310)**	**413**

During the first quarter of 2021, the COVID-19 emergency caused the TIM Group to incur non-recurring charges, gross of tax effects, for approximately 12 million euros, in addition to the figures shown above; these include both non-recurring charges connected with the corporate reorganization/restructuring processes and provisions made 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. During the first quarter of 2020, the COVID-19 emergency had incurred non-recurring expenses, gross of tax effects, for a total of 26 million euros, mainly connected with adjustments to revenues (15 million euros), following the commercial initiatives of TIM S.p.A. to support customers to fight the emergency and operating costs for 11 million euros mainly relating to provisions and expenses connected with credit management.

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at March 31, 2021.

(billion euros)	3/31/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	—	5.0	—
Bridge to Bond Facility – maturing May 2021	—	—	1.7	—
Total	**5.0**	**—**	**6.7**	**—**

At March 31, 2021, TIM had bilateral Term Loans for 1,300 million euros with various banking counterparties.

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

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

Bonds

The change in bonds in the first quarter of 2021 was as follows:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 1.625%	Euro	1,000	1/18/2021

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

(1) Net of buy-backs totaling 436 million euros made by the company in 2015.

With reference to Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at March 31, 2021 was 221 million euros, up by 4 million euros compared to December 31, 2020 (217 million euros).
The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of March 31, 2021 issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) totals 3,105 million euros. With the following detail:

- 221 million euros, due January 1, 2022;
- 884 million euros, due February 10, 2022;
- 2,000 million euros, due March 26, 2022.

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group[1]; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since these bonds have been placed principally with institutional investors in main world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets; consequently, for example, there are commitments not to use the company's assets as collateral for loans (negative pledges).

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

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), at March 31, 2021 the nominal total of outstanding loans was 850 million euros, none of it backed by a bank guarantee.

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

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

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

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

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

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

The documentation of the loans granted to certain companies of the Tim Brasil group contain general obligations to comply with certain financial ratios (e.g. capitalization ratios, debt servicing ratios and debt ratios), as well as the usual other covenants, under penalty of a request for the early repayment of the loan.

Finally, as at March 31, 2021, no covenant, negative pledge or other clause relating to the debt position had in any way been breached or violated.

TIM GROUP - DISPUTES AND PENDING LEGAL ACTIONS

The most significant arbitration cases and legal and fiscal disputes TIM Group companies are involved in as of March 31, 2021, including those closed during the period, are described below.

The TIM Group has posted liabilities totaling 579 million euros for those disputes described below where the risk of losing the case has been considered probable.

It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Financial Information at March 31, 2021, and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.

Lastly, as regards the proceedings with the Antitrust Authority, please note that based on Article 15, paragraph 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

a) Significant disputes and pending legal actions

No significant events occurred for the following disputes and legal actions compared to what was published in the 2020 Annual Financial Report:

- Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair;
- Golden Power Case;
- Italian Competition Authority (AGCM) Case A428;
- Vodafone, Colt Technology Services, MC-Link, Eutelia and Clouditalia Telecomunicazioni disputes (connected with the Antitrust Case A428);
- Vodafone (I761);
- Open Fiber, Vodafone and Fastweb disputes (connected with case A514);
- Vodafone;
- Eutelia and Voiceplus;
- 28-day billing;
- Antitrust Case I820;
- Antitrust Case I850;
- Dispute on "Adjustments to license fees" for the years 1994-1998;
- Poste;
- Elinet S.p.A. Bankruptcy;
- Brazil – Opportunity Arbitration;

International tax and regulatory disputes

As of March 31, 2021, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16.6 billion reais (16.6 billion reais at December 31, 2020). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

On March 22, 2011, TIM Celular S.A. (company incorporated into TIM S.A. starting from October 31, 2018) was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1,265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation concerning financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A. (formerly Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalizing the corporate structure in Brazil.

The assessment notice includes various adjustments; the main challenges may be summarized as follows:

- non-recognition of the tax effects of the merger of TIM Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the tax-deductibility of the amortization of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. ("TNC");
- non-recognition of certain tax offsets;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself.

The adjustments included in the assessment notice were disputed by TIM Celular, in administrative court, with the filing of its first objections on April 20, 2011. On April 20, 2012, TIM Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; TIM Celular promptly filed an appeal against this decision on May 21, 2012.

The Company, as confirmed by specific legal opinions, believes it is unlikely that significant disbursements can be expected.

Still in relation to the federal level of taxation, the following additional disputes should also be noted:

- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 4.3 billion reais (4.3 billion reais at December 31, 2020).

State taxes

Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance.

In February 2018 the State of São Paulo notified two tax assessments regarding ICMS to TIM Celular, for a total amount of 679 million reais (at the date of the assessment, including fines and interest). The first assessment (344 million reais) regarded a challenge of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States. The second assessment (335 million reais) challenged ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups.

In June 2018 the State of São Paulo notified two further tax assessments to TIM Celular, again relating to ICMS, for a total amount of 369 million reais (at the date of the assessment, including fines and interest). This assessment too relates to ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers against subsequent top-ups, as well as to the fines imposed for ICMS breaches. For a minor part of the claim, the company decided to authorize payment of the amount requested, instead of starting legal proceedings, benefiting from a discount on the fine. The dispute thus continues for the remaining amount, 296 million reais.

Furthermore, in late March 2020, the State of São Paulo issued a further tax assessment to the company (TIM S.A., as the incorporating company of TIM Celular), for a total amount of 362 million reais (at the date of the assessment, including fines and interest). The notice is based on two alleged infringements: (i) the contestation of the ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups, for the period April-October 2015; and (ii) the discrepancy between the information submitted with periodic reports and figures on taxes paid (discrepancy due to differences in reporting arrangements).

Overall, the risk for these cases, considered to be possible, amounts to 8.6 billion reais (8.6 billion reais at December 31, 2020).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 0.7 billion reais (around 0.7 billion reais at December 31, 2020).

FUST and FUNTTEL

The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.

Overall, the risk for these cases, considered to be possible, amounts to 3 billion reais (3 billion reais at December 31, 2020).

Exclusion of ICMS from the PIS/COFINS tax base

In March 2017, the Supreme Federal Court of Brazil recognized the inclusion of ICMS in the calculation of the PIS/COFINS contribution as unconstitutional. The companies of the TIM Brasil Group (formerly TIM Nordeste, TIM Celular and TIM S.A.) have been involved in legal proceedings since 2006, with reimbursement requests related - as allowed - to the previous five years, and therefore with effect from 2001.

During 2018, following a definitive and indisputable decision, the Company recognized a receivable of 353 million reais, of which 159 million reais for tax and 194 million reais for legal revaluations (amounts relating to the then TIM Nordeste).

During 2019, as a result of two final decisions (TIM Celular S.A. and TIM S.A.), the company posted an additional receivable of 3,024 million reais, of which 1,795 million reais for tax and 1,229 million reais for statutory revaluation.

The use of recognized tax receivables started from the end of 2019 and continued in 2020 and 2021, in compliance with the formal certification procedures established by the Brazilian tax authorities.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.)

With writ of summons before the Rome Court, COMM 3000 S.p.A.(formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff’s allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM’s appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision.

Teleunit

With a writ of summons issued in October 2009 before the Milan Appeal Court, Teleunit asked that TIM alleged acts of abuse of its dominant position in the premium services market be ascertained. The plaintiff quantified its damages at a total of approximately 362 million euros. TIM filed an appearance, contesting the claims of the other party.

After the ruling of January 2014 with which the Court of Appeal declared that it was not competent in this matter and referred the case to the Court, Teleunit reinstated the case before the Milan Court the following April. TIM filed an appearance in the reinstated proceedings challenging the plaintiff’s claims.

In its judgement of May 2017, the Milan Court rejected Teleunit's claim in its entirety, and ordered the company to pay the legal costs of the case. This judgement was appealed by Teleunit, in June 2017, before the Milan Court of Appeal. TIM filed an appeal challenging the arguments presented by the other party and asking that the judgement in the first instance be fully confirmed. With an order in March 2018 the Milan Court of Appeal declared Teleunit's appeal pursuant to art. 348-bis of the Italian Code of Civil Procedure to be manifestly without foundation, and hence inadmissible. In May 2018 Teleunit appealed the judgement of the Court of Appeal to the Court of Cassation. TIM lodged a counter-appeal seeking confirmation in full of the order being appealed (and thus of the judgment at first instance).

Antitrust Case I761

With a ruling issued on July 10, 2013, AGCM (the Italian Competition Authority) extended to TIM the investigation started in March of the same year into some firms active in the fixed network maintenance sector. The investigation aims to establish if an agreement exists that is prohibited under article 101 of the Treaty on the Functioning of the European Union. The proceedings were initiated after Wind filed two complaints in which AGCM (the Italian Competition Authority) was informed that, based on an invitation to bid for the assignment of network corrective maintenance services, it had encountered substantial uniformity of prices offered by the aforementioned enterprises and a significant difference from the offers submitted subsequently by other and different companies.

AGCM (the Italian Competition Authority) alleged that TIM carried out a role of coordinating the other parts of the procedure, both during the formulation of the offers requested by Wind and in relation to the positions represented to communications regulator AGCom.

TIM challenged these proceedings before the Administrative Court (TAR), sustaining that the ICA does not have competence in this matter.

On July 7, 2014, AGCM (the Italian Competition Authority) notified the objective extension of the proceedings to check if the Company, abusing its dominant position, put in place initiatives that might influence the conditions of the offer of accessory technical services when the offers of the maintenance businesses to Wind and Fastweb were being formulated. With the extension provision, the ICA has also extended the deadline for closing the proceedings from the original date of July 31, 2014 to July 31, 2015. This extension was also challenged before the Lazio Administrative Court (TAR) sustaining that the Italian Competition Authority does not have competence in this matter.

In November 2014, for reasons of procedural economy and also convinced that it was acting legitimately, TIM presented to the Authority a proposal of undertakings in order to resolve the competition concerns subject of the investigation. In its resolution of December 19, 2014, AGCM (the Italian Competition Authority) considered that these undertakings were not manifestly groundless and later ordered their publication for the purposes of market testing.

On March 25, 2015, AGCM (the Italian Competition Authority) definitively rejected the aforesaid undertakings, considering them not suitable for removing the anticompetitive aspects investigated.

On July 21, 2015 the Communication of the Results of the Investigation was served on the parties to the proceedings, in which the Offices of AGCM (the Italian Competition Authority) expressed their position in the sense of (i) archiving the complaints regarding the abuse of dominant position and (ii) confirming, instead, that there exists between TIM and the maintenance firms an agreement to coordinate the economic offers drawn up for Wind and Fastweb, and to prevent the unbundled supply of the ancillary technical services.

On December 16, 2015, the final order was issued, confirming the conclusions of the Communication of the Results of the Investigation, sustaining that, between 2012 and 2013, there existed an agreement that restricted competition, and as a result imposed a fine of 21.5 million euros on the Company, paid in March 2016. The relevant market is the corrective maintenance (assurance) market and, more precisely, the market for troubleshooting the TIM LLU lines. The purpose of the conduct maintained by the Company and the network firms would have been to limit competition and prevent the evolution of forms of unbundled supply of ancillary technical services.

TIM appealed the order before the Lazio Regional Administrative Court. In judgement no. 09554/2016 issued in September 2016, the appeal was dismissed, and the Company appealed this decision to the Council of State. On the outcome of the proceedings, with the ruling of December 2019, the Council of State, deciding in favor of TIM, annulled the AGCM I761 provision and referred the task of conducting a new investigation to AGCM (the Italian Competition Authority), within the limits that decided by the Council of State itself. In 2020, TIM obtained the return of amounts paid by way of sanction.

Following analysis, in a letter dated April 2, 2021, AGCM (the Italian Competition Authority) reported that it had archived case I761.

Antitrust Case A514

In June 2017 the Italian Competition Authority (AGCM) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the “Treaty on the Functioning of the European Union”. The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the broadband and ultra-broadband fixed network. In particular, AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) preemptively securing customers on the retail market for ultra-broadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

On February 14, 2018, AGCM (the Italian Competition Authority) resolved to extend the scope of the case to investigate further behavior concerning TIM's wholesale pricing strategy on the market for wholesale access to broadband and ultra-broadband, and the use of the confidential information of customers of the alternative operators.

On July 5, 2018 TIM filed proposed undertakings which, if accepted by the Authority, would close the investigation without any offense being established or sanction being administered. The undertakings were considered as admissible by the Authority, that market tested them in August and September.

On October 30, 2018, TIM replied to observations made by third parties and modified its proposed undertakings. With its decision notified on December 4, 2018, AGCM (the Italian Competition Authority) once and for all rejected the proposed series of undertakings as it considered them unsuitable in light of the objections raised.

On March 4, 2019, TIM requested AGCM (the Italian Competition Authority) for an extension of the deadline for closing the proceedings (initially set for May 31, 2019).

On April 10, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until September 30, 2019. On May 17, 2019, AGCM (the Italian Competition Authority) notified TIM of the results of the investigation (CRI). In the CRI, AGCM (the Italian Competition Authority) essentially confirmed the case for the prosecution outlined in the start-up and extension of the proceedings orders.

On June 12, 2019 AGCM (the Italian Competition Authority) extended the deadline for deposit of TIM's final defense to September 20, 2019 and set the final hearing for September 25, 2019.

On September 18, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until February 28, 2020.

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in UltraBroadBand network infrastructure.

The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros. TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR), contesting both the merits of the accusations and the amount of the imposed fine.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision. The Lazio Regional Administrative Court (TAR) has scheduled a hearing for oral discussion for November 3, 2021.

In May 2021, the Company paid the fine.

Antitrust Case I799

At its meeting on February 1, 2017, AGCM (the Italian Competition Authority) initiated an investigation for possible breach of Article 101 of the TFEU (prohibition of agreements that restrict competition) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at setting up a cooperative joint venture called Flash Fiber S.r.l.. TIM, in agreement with Fastweb, submitted to AGCM (the Italian Competition Authority) some amendments to the agreements signed, in the form of proposed undertakings, aimed at closing the investigation without any breach being ascertained and, therefore, without any fine.

On March 28, 2018, AGCM (the Italian Competition Authority) resolved to approve the undertakings, making them binding on the Parties, and closed the case without imposing any fine.

On January 30, 2019, TIM sent the planned annual report on the provided coverage to AGCM (the Italian Competition Authority), supplemented by a subsequent communication dated March 29, 2019. TIM transmitted further details to AGCM in July and AGCM (the Italian Competition Authority) acknowledged it on October 15, 2019. On January 31, 2020 TIM sent AGCM (the Italian Competition Authority) the third report on the implementation of the undertakings given. Finally, on January 29, 2021 TIM sent AGCM (the Italian Competition Authority) the fourth and final report on the implementation of the undertakings given.

On June 11, 2018 Open Fiber S.p.A. and Wind Tre S.p.A. filed separate appeals to the Lazio Regional Administrative Court (TAR) against the order closing case I799 with the acceptance of the undertakings. They allege that this order has a series of procedural and substantial defects.

Open Fiber S.p.A. also asked for the precautionary suspension of the order.

In a ruling of March 2020, the Regional Administrative Court rejected in full the appeal by Open Fiber S.p.A.. A hearing on the merits has not yet been scheduled for Wind Tre's appeal.

Vodafone Dispute – Universal Service

In a decision published in July 2015, the Council of State rejected the appeal lodged by AGCom and TIM against the judgment of the Lazio Administrative Court (TAR) on the financing of the universal service obligations for the period 1999–2003. With this judgement the judge had granted the appeals by Vodafone, annulling AGCom decisions 106, 107, 109/11/CONS on the renewal of the related proceedings, which included Vodafone among the subjects required to contribute, for a sum of approximately 38 million euros. Essentially, the judgement confirms that the Authority has not demonstrated the particular degree of "replaceability" between fixed and mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

TIM has filed an application with AGCom to renew the proceedings, and an appeal against the judgement of the Court of Appeal to the Court of Cassation (which subsequently ruled that the appeal was inadmissible).

In April 2016 Vodafone appealed against the Ministry of Economic Development (MISE) and TIM to the Council of State, for non-compliance with the judgement of the Council of State. This appeal referred to AGCom decision 109/11/CONS (2003 yearly payment, on the basis of which Vodafone had paid the sum of approximately 9 million euros as contribution, restitution of which was requested).

In its judgment of November 2016, the Council of State rejected the appeal, referring to the Regional Administrative Court (TAR) the decision on the methods of compliance. In February 2017, Vodafone presented the Lazio Regional Administrative Court with four new appeals against the Ministry of Economic Development and TIM regarding observance of the ruling, upheld on appeal, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

With a judgment issued in June 2018, the TAR rejected all of Vodafone's appeals for observance, and, as requested by TIM, expressly affirmed that AGCom must renew the proceedings, particularly with regard to the determination of the degree of replaceability between fixed and mobile telephony. Vodafone challenged the four judgments before the Council of State, which, with a decision of October 2019, upheld Vodafone's appeal and confirmed the restitutory obligation of the sums in question applicable to TIM.

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order.

Iliad

By summons served during the first quarter of 2020, Iliad Italia S.p.A. sued TIM before the Court of Milan for alleged anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering its entry to and consolidation in the mobile phone market in Italy, seeking damages of at least 71.4 million euros.

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. At the hearing of April 13, 2021, the Judge reserved the right to deliberate on the parties' preliminary motions.

b) other information

With reference to the cases listed below no significant facts have emerged with respect to that published in the 2020 Annual Financial Report:

- Mobile telephony - criminal proceedings;
- Dispute concerning the license fees for 1998;
- Vodafone (previously TELETU).

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

+	Equity Free Cash Flow
-	Principal share of lease payments

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

The other alternative performance measures used are described below:

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

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

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

illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.

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

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

Net financial debt is calculated as follows:

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

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

The Equity Free Cash Flow measure is calculated as follows:

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