

Press Release

TIM: BOARD OF DIRECTORS APPROVES FINANCIAL REPORT AT 30 SEPTEMBER 2020

Since 2019, the TIM Group has applied the IFRS 16 (Leases) accounting standard. Organic results:

NET PROFIT RISES TO 1.2 BILLION EUROS (+38% YOY)

NET FINANCIAL DEBT IMPROVES OVER THE NINE MONTHS BY 2.2 BILLION EUROS

EQUITY FREE CASH FLOW OF 1.7 BILLION GENERATED OVER 9 MONTHS (1 BILLION AFTER LEASE)

WORK CONTINUES TO LAUNCH FIBERCOP'S OPERATIONS IN THE FIRST QUARTER OF 2021

COMMERCIAL INDICATORS IMPROVED, CONFIRMING THE EFFECTIVENESS AND SUSTAINABILITY OF THE STRATEGY IMPLEMENTED, WHICH WILL LEAD TO STABILISATION OF REVENUES AND EBITDA

TIM BRASIL GROWS AGAIN IN THE QUARTER AND ADVANCES WITH THE ACQUISITION OF Oi

5G, CLOUD AND IoT DEVELOPMENT PROGRESSING RAPIDLY ACCORDING TO PLAN GUIDANCE CONFIRMED

- **Adjusted Net Financial Debt After Lease: 20.7 billion euros, 19.1 billion euros considering the Ardian transaction completed in the fourth quarter**
- **Equity free cash flow: 1.7 billion euros in the first nine months; third quarter higher than second quarter (688 million euros, +11.7% YoY)**
- **Revenues: 11.7 billion euros. In the third quarter, the revenue trend (-5% organic YoY) improved by 5 percentage points compared to the second quarter despite the persistence of the COVID-19 emergency**
- **Costs: the marked downward trend continues, especially on the domestic front (-9.1% YoY)**
- **Organic EBITDA: 5.3 billion euros for the first nine months, -7.3% YoY. (Q3 stable compared to the previous quarter in Italy), increasing in Brazil (+3.2% YoY)**
- **Capex: rationalisation of spending (-5.0% YoY), and focused on the spread of UBB, the activation of new cabinets in white areas and the development of the mobile network in Brazil**
- **Consortium led by Ardian completed the acquisition of a minority stake in the holding that owns TIM's share in INWIT in October. The transaction will amount to a total equivalent value of 1.6 billion euros in the fourth quarter**
- **NewCo dedicated to Data Centers created: launch of operations in the first quarter of 2021. 2020 proforma turnover expected to be in the order of 0.5 billion euros**
- **TIM Brasil returns to growth in the quarter with revenues from services**

at + 1.3% and EBITDA-Capex at + 8.5% YoY; participating as a “stalking horse”, together with VIVO and Claro, in the auction scheduled to take place by mid-December for the acquisition of the mobile business of the Brazilian group Oi

Rome, 10 November 2020

TIM's Board of Directors met today under the chairmanship of Salvatore Rossi and approved the TIM Group financial report at 30 September 2020.

Cash generation accelerated further in the third quarter, entirely attributable to ordinary operations. TIM has continued the rationalisation of the product portfolio and a more disciplined commercial conduct which, while leading to a drop in revenues in the short term, produces an increase in cash generation and customer satisfaction. During the first nine months, the Customer Satisfaction Index in fact improved by 4% in mobile, by 2% in fixed and 6% for Top customers.

The reduction in net financial debt continued in the third quarter, thanks to the gradual stabilization of the Group's commercial and financial indicators.

TIM strengthened its commitment to implementing a set of interventions with positive impacts on ESG objectives targeted in the business plan. A clear example of this is the employee satisfaction index, with an engagement improvement of 16 percentage points compared to last year.

Despite the continuing health emergency, TIM has ensured full continuity in the provision of services, protecting the health of its employees and investing in increasing the capacity and coverage of national networks, with particular attention paid to areas not yet reached by ultra-broadband connections. Fibre coverage of white areas reached approximately 70% of households with fixed lines in October and is expected to reach 75% by the end of the year, with the aim of bridging the “digital divide” by 2021, starting with Puglia, the first region where TIM will bridge the digital divide by the end of 2020.

Net financial debt as of 30 September had fallen by 2,199 million euros from the end of 2019 and by 3,354 million euros compared to the end of 2018, standing at **25,469 million euros** (i.e. 20,741 million euros on an after lease basis). **Equity free cash flow** contributed **1,666** million euros.

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

- **Fibre network:** Work is continuing on the launch of FiberCop's operations, which is scheduled to take place in the first quarter of 2021 once the required authorisations have been obtained. At the same time, work is continuing on the creation of a Single Network (**AccessCo**), through constant dialogue with the Government and Cassa Depositi e Prestiti.
- **Sale of mobile towers:** payment collected in October for the sale to Ardian Infrastructure of a minority stake in the holding company which holds TIM's joint controlling share in INWIT. The total value of the transaction will amount to 1.6 billion euros in the fourth quarter of 2020.
- **Data Centers and partnership for Cloud services:** the Board of Directors approved the creation of the **Newco** dedicated to managing the Group's Data Centers, which will operate as of the first quarter of 2021, once the necessary authorisations have been obtained. 2020 proforma turnover is expected to be in the order of approximately 500 million euros, with an expected growth of over 20% per year. Thanks to the partnership with Google Cloud in the first nine months of the year major clients were won for the provision of joint services to business clients.
- **In Brazil,** TIM S.A., together with Vivo and Claro, submitted a binding offer of 16.5 billion Reais (2.7 billion euros) for the mobile business of the Oi Group. The consortium was admitted as a “stalking

horse” (entitled to raise its bid in the event of higher bids being made by competitors) at the auction scheduled to take place by mid-December 2020.

Performance in the third quarter of 2020

In the third quarter of 2020, the commercial indicators improved, confirming the effectiveness and sustainability of the commercial strategy implemented, which will lead to the stabilisation of revenue and EBITDA.

In Italy, **mobile** performance improved in terms of “number portability”, with the flow to other operators (43,000 lines) falling to its lowest level in two years.

The total number of TIM's mobile lines stood at 30.2 million at the end of September, slightly down due to the impact of the lockdown on the “Machine to Machine” lines, in turn linked to the performance of other industrial sectors, particularly the automotive one. The so-called “human calling” lines, i.e. active customers who regularly use the service, remained substantially stable.

In the **fixed** sector, the migration of customers towards ultra-broadband services was also facilitated by the greater availability of lines in white areas, where TIM has opened 10,000 new cabinets, expanding access to fibre in FTTx mode to 65% of the white areas of the country with the aim of reaching 90% of Italian households with a fixed line by the end of the year.

New fibre activations by TIM have increased 72% YoY. In total, 320,000 new UBB retail and wholesale lines were activated, despite the low seasonality. The total number of **ultrabroadband lines** has therefore grown to **8.2 million** units, up by 23% YoY.

In the third quarter of 2020, Group revenues amounted to 3.9 billion euros (-5% YoY organic) with a trend that is improving (+5 percentage points) compared to the previous quarter. Group **service revenues** were 3.5 billion euros, with a trend compared to the previous year (-6.4%) also improving compared to the second quarter (-8.2%).

In the Business segment, revenue growth associated with innovative services (ICT, Cloud, IT solutions) continued (+18% YoY), also thanks to the positive contribution of the partnership with Google Cloud and the successful outcome of important negotiations with major customers.

In the **Domestic Wholesale** sector, service revenues increased by 1.7%, benefiting from the continuous migration of customers to ultra-broadband.

In Brazil, services revenues started to grow again (+1.3% YoY), thanks to good commercial performance particularly in fixed and in mobile prepaid segment. The efficiencies achieved, in particular the containment of credit losses, contributed to an organic EBITDA growth of 1.0% YoY.

The Group's **organic EBITDA** was 1.8 billion euros (-7.9% YoY) and that of the Domestic Business Unit 1.4 billion euros (-9.7% YoY), both stable compared to the previous quarter. This trend was affected by the impact of COVID-19 and the different distribution of days in the expansion contract, which were all brought forward and used in the second quarter of 2020 on the other side it benefited from cost containment, with an 11% reduction YoY in the addressable cost base. Net of the discontinuities mentioned, also for EBITDA, performance in the third quarter would have been better than that of the second quarter.

EBITDA After Lease was 1.6 billion euros (-8.2% YoY): 1.3 billion euros for the Domestic Business Unit (-9.7% YoY) and 0.3 billion euros for TIM Brasil (+0.5% YoY).

At Group level, investments in the second quarter amounted to 752 million euros, in line with full year guidance, despite the acceleration in the fibre coverage plan for white areas.

The **reported net result** attributable to the shareholders of the parent company stood at 500 million euros in the third quarter and 1,178 million euros in the first nine months (+38% YoY).

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

The health emergency caused by the spread of COVID-19 has demonstrated how essential connectivity and digital solutions are in emergency situations to cope with generalised social distancing, the interruption of the provision of in-person services, a stop to mobility and the interruption of school and education services. Forced into physical separation, Italians have discovered that digital connectivity is the key to transforming the way they work, limiting travel to a minimum and ensuring compliance with the most rigorous safety standards.

Aware of its leading role in the digitisation of the country, TIM planned a series of initiatives to support citizens, businesses and institutions during the lockdown and gradual reopening, implementing a wide- ranging plan including with activities for people, institutions, customers and their employees.

The main initiatives include:

- **to speed up the digitisation of the country**, over 10,000 cabinets have been activated in 2,700 Italian municipalities to allow more than 5 million citizens to access ultrabroadband connectivity. Moreover, thanks to a series of technical interventions, which on some routes led to an increase in bandwidth of up to 37%, the company was able to cope with the strong increase in traffic which during the lockdown recorded a maximum increase of 90% on the fixed network and 45% on the mobile network, maintaining the quality of service unchanged;
- **Fondazione TIM donated 1 million euros** to hospitals and medical research establishments, also promoting fundraising among TIM employees;
- **over 3,000 handsets** and SIM cards **were distributed** to the hospitals most involved in dealing with the emergency and prison inmates to facilitate contact with family members; working with the Italian national institute for the deaf (Ente Nazionale Sordi), over 1,000 handsets were delivered to deaf people with apps to facilitate use of Italian Sign Language and translate spoken messages into written messages, and vice versa, in real time;
- participating in the “Torino City Love” campaign, TIM made **innovative digital solutions** available to citizens free of charge to support healthcare, families and the elderly;
- to counter the **negative effects of the lockdown** on people, toll-free psychological support helplines were set up for citizens, a help desk for doctors and a special number for donations to the Italian Red Cross;
- the “Operazione Risorgimento Digitale” project led to **the first free online school** being set up **for the dissemination of digital skills in Italy**. Operazione Risorgimento Digitale is a great system alliance led by TIM, which has brought 30 partners together and obtained the support of trade associations, the voluntary sector and important players in the field of social innovation, such as Confindustria Digitale, Telefono Azzurro, Fondazione Mondo Digitale, Junior Achievement Italia, Generation and Italiacamp. The project, which endorses the Manifesto for the Digital Republic promoted by the Ministry for Innovation, is being implemented in collaboration with the European Commission, the Polizia di Stato, and has obtained the support of ANCI. As part of the project important memorandums of understanding have been signed with the Ministries for Public Administration, Education and Justice. Adapting promptly to the needs imposed by the emergency, the initiative has raised awareness and provided distance learning to over 700,000 citizens.
- in order to ensure **continued education in schools**, TIM signed up to the Italian Ministry of Education's #LaScuolaContinua programme and, together with Cisco, Google, IBM and WeSchool, it made platforms and information support available to guarantee distance teaching;
- initiatives for **people, families and companies** were all aimed at offering **free connectivity and supplying services, including home working**, for the whole emergency period. In this context, over 435,000 offers were activated for Consumer customers and approximately 165,000 for Business customers;
- reflecting the exceptional circumstances, initiatives were taken **to support institutions** involved in the crisis, including the Protezione Civile (Civil Defence), the Carabinieri, Confindustria, S. Raffaele Hospital, ASST Mantua, to whom physical spaces were made available with the equipment needed to manage operations in the area, special training programs, platforms, toll-free numbers and other services to manage emergencies;
- through partnerships with public organisations and other private foundations, **innovation competitions** were promoted in the healthcare field, such as Innova per l'Italia, #EUvsVirus Hackathon and the Covid-19 Challenge;
- finally, around 36,000 of our employees were involved in the Home Working programme in line with government guidelines on the management of working areas.

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NON-FINANCIAL PERFORMANCE

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

The Group's commitment to integrating sustainability into its corporate strategy is confirmed by its inclusion, for the third year running, among the top 10 international companies which have distinguished themselves for their inclusion and diversity promotion policies in the Refinitiv Diversity and Inclusion Index, as well as other important world indices, including the Dow Jones Sustainability Index Europe (DJSI Europe) and Euronext Vigeo Eiris.

The results achieved in the first nine months and the third quarter of 2020 will be illustrated to the financial community during a conference call scheduled for 11 November 2020. The event will start at 2.00 p.m. (CET). The presentation will be followed by a Q&A session. Reporters can follow the presentation by telephone and via the web, without the option to ask questions, by calling +39 06 33444 and following the instructions for assisted conferences or by connecting to the following [link](#). The presentation slides will be available at [link](#).

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TIM voluntarily draws up and publishes periodic financial information for the first and third quarter of each financial year, as part of a company policy to provide regular information about its financial and operational performance to the market and investors, in line with best market practices.

The TIM Group's consolidated data as of 30 September 2020 have been prepared in compliance with the IFRS accounting standards issued by the IASB and implemented by the EU; these figures are not audited.

The accounting criteria and consolidation principles adopted are the same as those used in the TIM Group Consolidated Financial Statements as at 31 December 2019, to which readers are referred, except for the changes to the accounting principles issued by the IASB and in force from 1 January 2020.

In order to allow a better understanding of the operations and financial position, in addition to the conventional financial indicators envisaged by the IFRS, the TIM Group uses some alternative performance indicators. Specifically, the alternative performance indicators are: EBITDA; EBIT; organic variation and impact of non-recurring items on revenues, on EBITDA and on EBIT; EBITDA margin and EBIT margin; net financial debt carrying amount and adjusted net financial debt; Equity Free Cash Flow. Furthermore, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

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

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

Note that the “Business Outlook for the 2020 financial year” chapter contains forward-looking statements about the Group’s intentions, beliefs and current expectations with regard to its financial results and other aspects of the Group’s operations and strategies. Readers of the present press release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the above-mentioned forecasts owing to risks and uncertainties depending on a number of factors, the majority of which are beyond the Group’s control. For further details, see the description in the “Main risks and uncertainties” chapter, and the Annual Financial Report as of 31 December 2019, which details the main risks pertaining to the TIM Group’s business activity which may have a greater or lesser impact on the ability to achieve the set objectives.

MAIN CHANGES TO THE TIM GROUP CONSOLIDATION SCOPE

The main changes to the consolidation scope that took place in the first nine months of 2020 were the following:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit):* the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. was completed on 31 March 2020. This transaction, which resulted in the birth of the first Italian Tower Operator, led to the dilution of TIM Group’s investment in the capital of INWIT from 60% to 37.5%. As of 31 March 2020, therefore, INWIT S.p.A. is valued using the equity method. Starting from the Consolidated Financial Statements as at 31 December 2019 and until the completion of the aforementioned merger, INWIT S.p.A. was presented as an “Asset held for sale”. Therefore the economic data and consolidated cash flows of the TIM Group for the first nine months of 2020 include the INWIT S.p.A. data for the first quarter of 2020 net of depreciation and amortization for the period, as required by IFRS 5. It is worth noting furthermore that on 23 April 2020 an equity package of 4.3% of the share capital of INWIT was sold through an accelerated book-building procedure reserved for institutional investors. Consequently, the TIM Group’s investment in INWIT as of 30 September 2020 was 33.2%;
- *Noovle S.r.l. (Domestic Business Unit):* on 21 May 2020, TIM S.p.A. completed the acquisition of 100% of the shares in Noovle S.r.l., an Italian ICT and system integration consultancy company specialising in the supply of cloud projects and solutions and among the leading Google Cloud partners in the Italian market. Since that date, Noovle S.r.l. and its subsidiaries have been consolidated on a line-by-line basis;
- *Daphne 3 S.p.A. (Domestic Business Unit):* company established on 24 July 2020; the company purpose is the acquisition, holding, management and disposal of equity investments in INWIT - Infrastrutture Wireless Italiane S.p.A.;
- *TIM My Broker S.r.l. (Domestic Business Unit):* company established on 4 August 2020; the company purpose is mainly insurance intermediation activities pursuant to art. 106 of Legislative Decree no. 209 of 7 September 2005 as subsequently amended and supplemented.

Also note that:

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

No significant changes occurred in the consolidation area in the first nine months of 2019.

TIM GROUP RESULTS FOR THE FIRST NINE MONTHS OF 2020

Total TIM Group revenues in the first nine months of 2020 amounted to **11,657 million euros**, -13.2% on the first nine months of 2019 (13,423 million euros); the organic change in total revenues is -7.9%.

The analysis of total revenues in the first nine months of 2020, broken down by operating sector, compared to the first nine months of 2019, is as follows:

(million euros)	1.1 - 30.9 2020		1.1 - 30.9 2019		Change:		
	% of total		% of total		absolute	%	organic % excluding non- recurrent
Domestic	9,472	81.3	10,523	78.4	(1,051)	(10.0)	(9.3)
Brazil	2,208	18.9	2,930	21.8	(722)	(24.6)	(1.6)
Other Activities	-	-	-	-	-	-	-
Adjustments and eliminations	(23)	(0.2)	(30)	(0.2)	7		
Consolidated Total	11,657	100.0	13,423	100.0	(1,766)	(13.2)	(7.9)

The organic change in the Group's consolidated revenues for the first nine months of 2020 is calculated by excluding the negative effect of changes in exchange rates ⁽¹⁾ of -687 million euros, changes in the scope of consolidation ⁽²⁾ of -55 million euros, as well as the non-recurring component. The adjustments of non-recurring revenues in the first nine months of 2020 (-38 million euros) are connected to the commercial initiatives taken by TIM S.p.A. to support customers in countering the COVID-19 emergency, while the first nine months of 2019 suffered non-recurring charges of 15 million euros related to adjustments to revenues from previous years.

As mentioned in "Main changes in the scope of consolidation of the TIM Group", the company Noovle S.r.l. and its subsidiaries are consolidated on a line-by-line basis since the date on which control was acquired by the TIM Group (21 May 2020). If the acquisition of Noovle S.r.l. had been completed on 1 January 2020, TIM Group would have recorded revenues approximately 14 million euros higher, with non-significant effects on the net result for the period.

Total revenues **for the third quarter of 2020** amounted to 3,898 million euros, with an organic change compared to the third quarter 2019 of -207 million euros (-5.0%).

(1) The average exchange rates used for the conversion into euros (expressed in terms of units of local currency per 1 euro) were 5.70299 for the Brazilian real in the first nine months of 2020 and 4.36545 in the first nine months of 2019. For the US dollar, the average exchange rates used were 1.12444 in the first nine months of 2020 and 1.12373 in the first nine months of 2019. The impact of the change in the rates of exchange is calculated by applying the conversion rates of the foreign currencies used for the current period to the comparison period.

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

The **TIM Group's EBITDA** for the first nine months of 2020 amounted to **5,118 million euros** (6,499 million euros in the first nine months of 2019; -21.2%, -7.3% organic).

The details of the EBITDA, broken down by operational sector, for the first nine months of 2020 compared to the first nine months of 2019, and the percentage margin on revenues, are as follows:

(million euros)	1.1 - 30.9 2020		1.1 - 30.9 2019		Change:		
	% of total		% of total		absolute	%	organic % excluding non- recurrent
Domestic	4,081	79.7	4,554	70.1	(473)	(10.4)	(9.6)
<i>Margin (%)</i>	<i>43.1</i>		<i>43.3</i>			<i>(0.2) pp</i>	<i>(0.1) pp</i>
Brazil	1,043	20.4	1,952	30.0	(909)	(46.6)	3.2
<i>Margin (%)</i>	<i>47.2</i>		<i>66.6</i>			<i>(19.4) pp</i>	<i>2.2 pp</i>
Other Activities	(7)	(0.1)	(7)	(0.1)	-		
<i>Adjustments and eliminations</i>	<i>1</i>	<i>-</i>	<i>-</i>		<i>1</i>		
Consolidated Total	5,118	100.0	6,499	100.0	(1,381)	(21.2)	(7.3)

Organic EBITDA net of the non-recurring component stood at **5,299 million euros** accounting for 45.3% of revenues (5,715 million euros in the first nine months of 2019, accounting for 45.0% of revenues).

In the first nine months of 2020, the TIM Group recorded non-recurring charges of 181 million euros in total, 89 million euros of them attributable to the COVID-19 emergency in Italy. In particular, in addition to the impacts of TIM S.p.A.'s commercial initiatives in support of customers, operating costs were incurred, mainly relating to procurement and provisions and charges connected with credit management resulting from the deterioration of the macroeconomic framework.

The first nine months of 2020 were also affected by non-recurring charges connected mainly with corporate reorganisation/restructuring processes and provisions for disputes, regulatory sanctions and contingent liabilities related to them, as well as charges connected with agreements and the development of non-recurring projects.

In the first nine months of 2019, the TIM Group recorded net non-recurring income of 302 million euros, as the balance between income of 693 million euros, resulting from the Brazil Business Unit posting tax credits arising from the favourable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution, and non-recurring charges of 391 million euros posted by the Domestic and Brazil Business Units mainly relating to provisions for regulatory disputes and contingent liabilities related to them, to liabilities towards customers and/or suppliers, plus charges related to corporate reorganization/restructuring processes as well as to adjustments to revenues from previous years.

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

(million euros)	1.1 - 30.9 2020		1.1 - 30.9 2019		Changes	
					absolute	%
EBITDA	5,118		6,499		(1,381)	(21.2)
Foreign currency translation			(458)		458	
Changes in the consolidation scope			(172)		172	
Non-recurring charges/(income)	181		(302)		483	
Effect of the conversion of foreign currency non-recurring Charges/(Income)			148		(148)	
ORGANIC EBITDA excluding non-recurring component	5,299		5,715		(416)	(7.3)
<i>Margin (%)</i>	<i>45.3</i>		<i>45.0</i>		<i>0.3 pp</i>	

The EBITDA of the third quarter of 2020 totalled 1,720 million euros (2,108 million euros in the third quarter of 2019).

Organic EBITDA net of the non-recurring component in the third quarter of 2020 totalled 1,764 million euros (1,916 million euros in the third quarter of 2019).

The **TIM Group's EBIT** for the first nine months of 2020 amounted to **1,627 million euros** (2,712 million euros in the first nine months of 2019).

Organic EBIT, net of the non-recurring component, amounted to 1,808 million euros (2,201 million euros in the first nine months of 2019), with an EBIT margin of 15.5% (17.3% in the first nine months of 2019).

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

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
EBIT	1,627	2,712	(1,085)	(40.0)
Foreign currency translation		(240)	240	
Changes in the consolidation scope		(117)	117	
Non-recurring charges/(income)	181	(302)	483	
Effect of the conversion of foreign currency non-recurring Charges/(Income)		148	(148)	
ORGANIC EBIT excluding non-recurring component	1,808	2,201	(393)	(17.9)

The EBIT of the third quarter of 2020 totalled 585 million euros (825 million euros in the third quarter of 2019).

Organic EBIT net of the non-recurring component in the third quarter of 2020 totalled 629 million euros (760 million euros in the third quarter of 2019).

The other income (charges) from equity investments amounted to 448 million euros, of which 441 million euros relating to the net capital gain recognised following the dilution from 60% to 37.5% of the TIM Group's equity investment in the capital of INWIT S.p.A. following the merger of INWIT with Vodafone Towers and 7 million euros relating to the capital gain connected with the sale, in April 2020, of the 4.3% stake held by TIM S.p.A. in INWIT.

The net profits for the first nine months of 2020 attributable to the Shareholders of the Controlling Company stood at **1,178 million euros** (852 million euros in the first nine months of 2019). Earnings for the period also benefit from the positive tax effect due to the lower taxes paid in previous years and generated following the ruling signed on 3 August 2020 with the Italian Revenues Agency for application of the "patent box" facilitation in income tax and IRAP (regional production tax) tax return for TIM S.p.A. for the years 2015 - 2019 (294 million euros).

The TIM Group **headcount** as of 30 September 2020 was **52,480**, including 42,827 in Italy (55,198 as of 31 December 2019, including 45,266 in Italy) down by 2,718 compared to 31 December 2019, including -2,439 in Italy. Compared to 30 September 2019, the reduction was 3,568.

Capital expenditure of 2,006 million euros in the first nine months of 2020 (2,276 million euros in the first nine months of 2019), was distributed as follows by operational sector:

(million euros)	1.1 - 30.9 2020		1.1 - 30.9 2019		Changes
		% of total		% of total	
Domestic	1,580	78.8	1,699	74.6	(119)
Brazil	426	21.2	577	25.4	(151)
Other Activities	-	-	-	-	-
Adjustments and eliminations	-	-	-	-	-
Consolidated Total	2,006	100.0	2,276	100.0	(270)
Margin (%)	17.2		17.0		0.2 pp

In particular

- the **Domestic Business Unit** posted investments of 1,580 million euros, (-119 million euros, -89 million euros in organic terms) compared to the first nine months of 2019, mainly due to a postponement of some activities, also as a result of the restrictions imposed by the COVID-19 emergency;
- the **Brazil Business Unit** posted capital expenditure of 426 million euros, -151 million euros on the first nine months of 2019 (577 million euros). Excluding the impact of exchange rate changes (-135 million euros), -16 million euros. Capital expenditure was primarily targeted at strengthening the mobile ultrabroadband network and developing the TIM Live fixed broadband business.

The **Group's Operating Free Cash Flow** is positive by 2,374 million euros (2,791 million euros in the first nine months of 2019), or 2,484 million euros net of 110 million euros paid for the 5G license (2,809 million euros in the first nine months of 2019) compared to 18 million euros in 2019.

Adjusted net financial debt was 25,469 million euros as of 30 September 2020, **2,199 million euros lower than on 31 December 2019** (27,668 million euros). Solid operating cash flow generation, also achieved by optimising working capital, guaranteeing the payment of dividends on ordinary and savings shares of TIM S.p.A. for a total of 316 million euros (compared to 166 million euros paid in 2019 to savings shares only), payment of the instalment relating to the 5G licence (110 million euros) and the effects of the INWIT operation, contributed to this reduction. With reference to INWIT in particular, the deconsolidation of the company's debt (643 million euros compared to 31 December 2019) substantially offset the new debt for financial leases in respect of INWIT, now a jointly controlled company (368 million euros), resulting from the simultaneous signing of financial leasing contracts with Vodafone (214 million euros), the collection of dividends (256 million euros, including an extraordinary dividend of 214 million euros) and the sale of 4.3% of the equity investment (400 million euros).

Furthermore, following the request by TIM S.p.A. to benefit from the "Patent box" facility for the five-year period 2015- 2019, 123 million euros have already been collected.

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

(million euros)	30.9.2020 (a)	31.12.2019 (b)	Changes (a-b)
Net financial debt carrying amount	25,632	28,246	(2,614)
<i>Reversal of fair value measurement of derivatives and associated financial liabilities/assets</i>	<i>(163)</i>	<i>(578)</i>	<i>415</i>
Adjusted Net Financial Debt	25,469	27,668	(2,199)
<i>Leasing</i>	<i>(4,728)</i>	<i>(5,204)</i>	<i>476</i>
<i>Leasing - Discontinued operations/Non-current assets held for sale</i>	<i>-</i>	<i>(571)</i>	<i>571</i>
Adjusted Net Financial Debt - After Lease	20,741	21,893	(1,152)

The **net carrying amount** of debt at 30 September 2020 was 25,632 million euros, 2,614 million euros less than at 31 December 2019 (28,246 million euros).

The fair value measurement of derivatives and related financial liabilities/assets changed by 415 million euros compared to 31 December 2019, following the marked drop in US dollar interest rates and the related revaluation of hedges on US currency bonds. This change is adjusted in the Financial Debt carrying amount and has no monetary effects.

The **Adjusted Net Financial Debt - After Lease** (net of the impact of all leases), a metric adopted by the main European peers, as of 30 September 2020, was 20,741 million euros, down by 1,152 million euros compared to 31 December 2019 (21,893 million euros). The reduction is less than that shown in the adjusted net financial debt as the effects of the deconsolidation/new debt for IFRS16 purposes related to the INWIT operation and the effects of the exchange rate on the debt for IFRS16 purposes of Brazil are not considered.

In the third quarter of 2020, **adjusted net financial debt amounted** to 25,469 million euros, down by 502 million euros compared to 30 June 2020 (25,971 million euros): the improvement is due to the positive effects of the operating cash flow generation, which amply offset payment of the instalment for the 5G licences (110 million euros).

(million euros)	30.9.2020 (a)	30.6.2020 (b)	Changes (a-b)
Net financial debt carrying amount	25,632	25,954	(322)
<i>Reversal of fair value measurement of derivatives and associated financial liabilities/assets</i>	<i>(163)</i>	<i>17</i>	<i>(180)</i>
Adjusted net financial debt	25,469	25,971	(502)

<i>Detailed as follows:</i>			
Total adjusted gross financial debt	30,319	31,544	(1,225)
Total adjusted financial assets	(4,850)	(5,573)	723

The **liquidity margin** available to the TIM Group was 10,608 million euros, and was calculated taking account of:

- “Cash and cash equivalents” and “Current securities other than investments” totalling 3,908 million euros (4,015 million euros as at 31 December 2019), also including 390 million euros of repurchase agreements falling due in November 2020;
- the Revolving Credit Facility of 5,000 million euros and the Bridge to Bond Facility of 1,700 million euros, totally available.

This margin means that the Group's (current and non-current) financial liabilities are covered for the next 30 months. Also note that the factoring of trade receivables without recourse to factoring companies completed in the first nine months of 2020 had a positive effect on the adjusted net financial debt as of 30 September 2020 equal to 1,585 million euros (1,958 million euros as of 31 December 2019).

RESULTS OF THE BUSINESS UNITS

DOMESTIC

The **revenues of the Domestic Business Unit** amounted to 9,472 million euros, down by 1,051 million euros on the first nine months of 2019 (-10.0%), having suffered from the challenging competitive context and, particularly as regards the Mobile market, the restrictions related to the COVID-19 emergency. **Organic revenues, net of the non-recurring component**, amount to 9,510 million euros (-973 million euros compared to the first nine months of 2019, -9.3%). Revenues in the first nine months of 2020 in particular fell by 38 million euros due to revenue adjustments connected to initiatives taken by TIM S.p.A. to support customers in dealing with the COVID-19 emergency. The first nine months of 2019 was supported by non-recurring charges of 15 million euros attributable to adjustments to revenues from previous years.

Domestic Business Unit revenues in the **third quarter** of 2020 amounted to 3,213 million euros, down by 241 million euros compared to the same period of 2019 (-7.0%, -6.4% in organic terms).

Revenues from stand-alone services amounted to 8,613 million euros (-900 million euros compared to the first nine months of 2019, -9.5%) and reflect the impacts of the regulatory and competitive context on the customer base and ARPU levels. **Revenues from organic stand-alone services, net of the aforesaid non-recurring components**, amounted to 8,651 million euros (-822 million euros compared to the first nine months of 2019, -8.7%).

In detail:

- **revenues from stand-alone fixed market services** amounted to 6,511 million euros, with an organic change with respect to the first nine months of 2019 (-8.0%) mainly due to fewer accesses which is also reflected in the trend of revenues from broadband services (-155 million euros compared to the first nine months of 2019, - 8.2%), partly offset by the growth in revenues from ICT solutions (+67 million euros compared to the first nine months of 2019, amounting to +10.8%);
- **revenues from Mobile market stand-alone services** amounted to 2,526 million euros (-326 million euros compared to the first nine months of 2019, -11.4%) having suffered the impact of the regulatory and competitive context on the solidity of the customer base and the significant effects of the health emergency. **In organic terms, net of the aforesaid non-recurring component**, revenues from Mobile stand-alone services amounted to 2,559 million euros (-272 million euros compared to the first nine months of 2019, equal to -9.6%).

Handset and Bundle & Handset revenues, including the changes to work in progress, amounted to 859 million euros in the first nine months of 2020, -151 million euros in organic terms compared to the first nine months of 2019, also due to reduced footfall in sales outlets following the restrictive measures related to the COVID-19 emergency.

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

- **Consumer:** this includes all the voice and internet services and products managed and developed for individuals and households in the Fixed and Mobile and public telephony business; caring activities, operational credit support, loyalty and retention, related sales activities and the administrative management of customers; TIM Retail is included, which coordinates the business of the Flagship stores. In organic terms, net of the aforesaid non-recurring component, the revenues of the Consumer segment totalled 4,383 million euros and show a trend (-585 million euros, -11.8%), compared to the first nine months of 2019, affected by greater discipline in commercial processes and a gradually improving

customer base trend. The same dynamic observed in overall revenues was also seen in revenues from stand-alone services, which amounted to 3,907 million euros, -507 million euros on the first nine months of 2019 (-11.5%). In particular:

- **the revenues from Mobile Standalone Services** amounted to 1,765 million euros (-179 million euros, -9.2% compared to the first nine months of 2019), against an unprecedented competitive dynamic in the lower end of the market and an ever smaller reduction in the calling customer base; these results also suffered from the effects of the COVID-19 emergency on roaming revenues and the gradual reduction of regulated interconnection rates on incoming traffic;
- **the revenues from Fixed Standalone Services** amounted to 2,165 million euros (-320 million euros, -12.9% compared to the first nine months of 2019); mainly due to the effect of the smaller Customer Base, which progressively reduced over the nine months, and ARPU levels. The number of broadband customers, particularly Ultra BroadBand, grew, and an improvement was achieved in YoY performance of broadband ARPU starting from the third quarter.

Handset and Bundle & Handset revenues in the Consumer segment amounted to 477 million euros, -79 million euros on the first nine months of 2019 (-14.2%), concentrated in the mobile segment due to changes in the commercial strategy on products, focused on defending the profit margin. The restrictions on circulation due to the COVID-19 health emergency also had an impact on performance: during the lockdown, the volume of smartphones sold fell compared to 2019 and only recovered to normal levels in July.

- **Business:** this includes all voice, data, internet services and products and ICT solutions managed and developed for SME (Small and Medium Enterprises), SOHO (Small Office Home Office), Top, Public Sector, Large Account and Enterprise customers, both Fixed and Mobile. The following companies are included: Olivetti, TI Trust Technologies and Telsy, and from June 2020 the Noovle Group. In organic terms, net of the aforesaid non-recurring component, revenues for the Business segment amounted to 3,009 million euros, (-421 million euros on the first nine months of 2019, -12.3%, including a fall of 10.0% in revenues from the stand-alone services component). In particular:
 - **total Mobile market revenues** showed an organic performance compared to the first nine months of 2019 (-12.1%), linked to the revenues from stand-alone services component (-11.7%) and the ARPU trend;
 - **total Fixed market revenues** in organic terms changed by -324 million euros compared to the first nine months of 2019 (-12.2%), with the revenues from services component (-9.3%) influenced by a price trend partly offset by higher revenues from ICT services.
- **Wholesale National Market:** this includes the management and development of wholesale services, both regulated and unregulated, for Fixed and Mobile telecommunications operators in the domestic market. The following companies are included: TI San Marino and Telefonía Mobile Sammarinese. The Wholesale National Market segment presented revenues of 1,404 million euros in the first nine months of 2020, an increase of 17 million euros (+1.3%) on the first nine months of 2019, with a positive performance primarily driven by the growth in accesses in the Ultra BroadBand sector.
- **Wholesale International Market:** this includes the activities of the Telecom Italia Sparkle group, which operates in the international voice, data and internet services market for fixed and mobile telecommunications operators, ISP/ASP (Wholesale market) and multinational companies through proprietary networks in European, Mediterranean and South American markets. Revenues for the first nine months of 2020 in the Wholesale International Market came to 704 million euros, up by 7 million euros (+1.0%) compared to the first nine months of 2019, with negligible effects on the EBITDA. This performance is mainly connected to the supply of capacity in the data business.

* * *

The Domestic Business Unit EBITDA for the first nine months of 2020 totalled 4,081 million euros, (-473 million euros on the first nine months of 2019, -10.4%), with a margin of 43.1%, (-0.2 percentage points compared to the same period of the previous year).

Organic EBITDA, net of the non-recurring component, amounted to 4,262 million euros, (-450 million euros compared to the first nine months of 2019, -9.6%). In particular, the EBITDA in the first nine months of 2020 fell by -181 million euros, including 89 million euros attributable to the COVID-19 emergency in Italy and mainly relating to the impacts of TIM S.p.A.'s commercial initiatives to support customers, as well as the effects of macroeconomic difficulties on provisions and charges related to credit management. Furthermore, the non-recurring charges include charges connected with corporate reorganisation/restructuring processes, provisions for disputes, regulatory sanctions and contingent liabilities related to them, as well as charges connected with agreements and the development of non-recurring projects.

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

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
EBITDA	4,081	4,554	(473)	(10.4)
Changes in the consolidation scope	–	(172)	172	
Non-recurring charges/(income)	181	330	(149)	
ORGANIC EBITDA excluding non-recurring component	4,262	4,712	(450)	(9.6)

EBITDA in Q3 2020 was 1,397 million euros, (-228 million euros compared with the corresponding period of 2019, -14.0%).

The Domestic Business Unit EBIT for the first nine months of 2020 totalled 1,312 million euros, (-382 million euros on the first nine months of 2019, -22.6%), with a margin of 13.9%, (-2.2 percentage points compared to the same period of the previous year).

Organic EBIT, net of the non-recurring component, amounted to 1,493 million euros, (-414 million euros compared to the first nine months of 2019, -21.7%), with an EBIT margin of 15.7% (18.2% in the first nine months of 2019).

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

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
EBIT	1,312	1,694	(382)	(22.6)
Changes in the consolidation scope	–	(117)	117	
Non-recurring charges/(income)	181	330	(149)	
ORGANIC EBIT excluding non-recurring component	1,493	1,907	(414)	(21.7)

EBIT in Q3 2020 was 479 million euros, (-186 million euros compared with the corresponding period of 2019, -28.0%).

The headcount stood at 43,069 employees (45,496 as of 31 December 2019), down by 2,427.

BRAZIL (AVERAGE REAL/EURO EXCHANGE RATE 5.70299)

The revenues of the Brazil Business Unit (TIM Brasil group) for the first nine months of 2020 amounted to 12,590 million reais, (-201 million reais, -1.6%) compared to the first nine months of 2019 (12,791 million reais).

Revenues from services totalled 12,224 million reais, (-16 million reais compared to the 12,240 million reais in the first nine months of 2019, -0.1%).

Revenues from the sale of products came to 366 million reais (551 million reais in the first nine months of 2019). The trend reflects the impact of the lockdown lasting at least two months in most of Brazil due to the COVID-19 emergency. Commercial policy is still focused more on value than on increasing sales volumes. In particular, the main objectives of the new strategy are to develop the sale of new handsets that enable the use of broadband services on the 3G/4G networks by TIM customers, and to support the new offers to retain the highest value post-paid customers.

Third quarter 2020 revenues totalled 4,388 million reais, an increase of 1.2% compared to the same period of the previous year (4,337 million reais).

The mobile ARPU for the first nine months of 2020 was 24.2 reais, up from the figure recorded in the first nine months of 2019 (23.3 reais) thanks to general repositioning in the post-paid segment and new commercial initiatives intended to promote the use of data and average expenditure per customer.

The total number of lines as of 30 September 2020 amounted to more than 51.1 million, -3.3 million compared to 31 December 2019 (54.4 million). This trend is mainly attributable to the prepaid segment (-3.6 million), partially offset by the growth in the post-paid segment (+0.3 million), also as a result of the ongoing consolidation in the second SIM card market. Post-paid customers represented 42.5% of the customer base as of 30 September 2020, 3.1 percentage points higher than at December 2019 (39.4%).

EBITDA in the first nine months of 2020 was 5,946 million reais (8,522 million reais in the first nine months of 2019) and the margin on revenues was 47.2% (66.6% in the first nine months of 2019).

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

Organic EBITDA, net of the non-recurring component increased by 3.2% and was calculated as follows:

(million reais)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
EBITDA	5,946	8,522	(2,576)	(30.2)
Non-recurring charges/(income)	-	(2,760)	2,760	
ORGANIC EBITDA - excluding non-recurring component	5,946	5,762	184	3.2

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

The respective margin on revenues stood at 47.2%, an increase in organic terms of 2.2 percentage points compared to the first nine months of 2019.

EBITDA in the third quarter of 2020 was 2,063 million reais, -89 million euros compared with the third quarter of 2019.

In the third quarter of 2019, EBITDA benefited from 110 million reais of net non-recurring income, related to income connected with the recognition of tax credits resulting from the favourable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculation of the PIS/COFINS contribution (148 million reais) which was offset by charges for non-recurring provisions (equal to 38 million reais) mainly relating to provisions for regulatory disputes and contingent liabilities related to them as well as liabilities in respect of customers and/or suppliers.

Net of non-recurring income (expenses), the EBITDA margin for the third quarter of 2020 was 47.0% (47.1% in the third quarter of 2019).

EBIT for the first nine months of 2020 amounted to 1,827 million reais (4,476 million reais in the first nine months of 2019).

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

Organic EBIT, net of the non-recurring component increased by 6.5% and was calculated as follows:

(million reais)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
EBIT	1,827	4,476	(2,649)	(59.2)
Non-recurring charges/(income)	-	(2,760)	2,760	
ORGANIC EBIT - excluding non-recurring component	1,827	1,716	111	6.5

EBIT in the third quarter of 2020 was 683 million reais, -46 million reais compared with the third quarter of 2019 (- 6.3%). Net of non-recurring income (charges), the EBIT margin for the third quarter of 2020 was 15.6%, +1.3 percentage points compared to the third quarter of 2019.

During the first nine months of 2020, the exchange rate used to convert Brazilian reais into euros (expressed in terms of local currency units per 1 euro) rose from 4.52808 as of 31 December 2019 to 6.60413 as of 30 September 2020. This led, among other things, to a 268 million euro decrease in the value of goodwill attributed to the Brazil Cash Generating Unit expressed in euros.

The **headcount** was 9,397, down by 292 compared to 31 December 2019 (9,689).

AFTER LEASE INDICATORS

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

TIM GROUP EBITDA ADJUSTED AFTER LEASE

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
ORGANICEBITDA - excluding non-recurring component	5,299	5,715	(416)	(7.3)
Leasing fees	(621)	(647)	26	(4.0)
EBITDA adjusted After Lease (EBITDA-AL)	4,678	5,068	(390)	(7.7)

EBITDA ADJUSTED AFTER LEASE DOMESTIC

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
ORGANICEBITDA - excluding non-recurring component	4,262	4,712	(450)	(9.6)
Leasing fees	(397)	(437)	40	(9.2)
EBITDA adjusted After Lease (EBITDA-AL)	3,865	4,275	(410)	(9.6)

EBITDA ADJUSTED AFTER LEASE BRAZIL

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes	
			absolute	%
ORGANICEBITDA - excluding non-recurring component	1,043	1,010	33	3.2
Leasing fees	(224)	(210)	(14)	6.8
EBITDA adjusted After Lease (EBITDA-AL)	819	800	19	2.3

TIM GROUP ADJUSTED NET FINANCIAL DEBT AFTER LEASE

(million euros)	30.9.2020	31.12.2019	Changes
Adjusted Net Financial Debt	25,469	27,668	(2,199)
Leasing	(4,728)	(5,775)	1,047
Adjusted Net Financial Debt - After Lease	20,741	21,893	(1,152)

EQUITY FREE CASH FLOW AFTER LEASE TIM GROUP

(million euros)	1.1 - 30.9 2020	1.1 - 30.9 2019	Changes
EQUITY FREE CASH FLOW	1,666	1,692	(26)
Leasing	(673)	(555)	(118)
EQUITY FREE CASH FLOW AFTER LEASE	993	1137	(144)

OUTLOOK FOR THE 2020 FINANCIAL YEAR

The guidance set out in TIM Group's Half Year Report as at 30 June 2020 is confirmed.

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2020

TIM AND ARDIAN HAVE FINALIZED THE INVESTMENT IN INWIT

See the press release issued on 2 October 2020.

MAIN RISKS AND UNCERTAINTIES

Risk management is a strategic tool for creating value.

The TIM Group has adopted a constantly evolving Risk Management Model, aligned with international regulations and standards, to allow for the identification and management of risks in a uniform way within the 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 the risk within acceptable limits and to provide reasonable confidence about the achievement of business 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);
- evaluates risks not only individually but also as a risk portfolio (correlation analysis);
- identifies and updates the overall set of risks to which the Group is exposed through the analysis of the Business Plan, cyclical monitoring with the Risk Owners, in order to intercept any changes and/or new risk scenarios, and monitoring of the macroeconomic context of reference.

The outlook for 2020 may be influenced by risks and uncertainties arising from multiple factors, most of which are beyond the Group's control.

In this context, we would highlight the health emergency due to the spread of COVID-19. Furthermore, we would mention the following additional factors amongst others: the change in the market context, the entry of new potential competitors in the fixed and mobile field, the start of proceedings by the Authorities and the consequent delays in the implementation of new strategies, any constraints connected with the exercise of Special Powers by the Government (Golden Power) with effects - currently not foreseeable - in terms of strategic choices and in terms of timely achievement of the three-year objectives already announced, some of which may be achieved over a different period of time than originally planned or with new and more complex pathways.

RISKS ASSOCIATED WITH THE MACROECONOMIC CONDITIONS

COVID-19

Further restrictive measures issued by national and foreign authorities, due to the health emergency resulting from the spread of COVID-19, in addition to the worsening of the global macroeconomic situation and the risk of deterioration of the credit profile of some customer segments, could lead to slowdowns in business activity, deriving from restrictions imposed on certain types of technical and commercial work, difficulties encountered by customers and discontinuity in the supply chain, with negative impacts on the Group's overall results.

Managing this emergency, considering the public service provided, involves taking all the actions required to ensure operational continuity of business processes with the aim of ensuring the efficiency of the services provided and the protection of employee health.

RISKS CONNECTED WITH MACROECONOMIC FACTORS

The TIM Group's economic and financial situation is influenced by multiple macroeconomic factors such as economic growth, consumer confidence, interest rates and exchange rates in the markets where it has a presence.

The Italian economy was severely affected by the COVID-19 emergency in the first half of 2020 (GDP -11.5% vs 2019) with GDP recording an exceptional contraction of 13% in the second quarter compared to the previous quarter, greater than that of the Euro area (-11.8%). In the third quarter, the Italian economy is experiencing less of a slowdown but the global picture continues to be dominated by the difficulties and uncertainties arising from the evolution of the pandemic and the recent upsurge could significantly affect the short-term scenario. Even in 2019, GDP growth was small (+ 0.3%) due to the protectionist policies of the United States, the trade war between the United States and China and the uncertainties relating to the automotive sector. With the pandemic and the consequent lockdown, this was exacerbated by strong discontinuity in production and household consumption: in the second quarter of 2020 industrial production fell by 21.6% compared to the previous quarter and household consumption by 11.4%. Propensity to consume, particularly in the service sector, has dropped significantly as a result of the infection containment measures and greater caution shown also during the period of coexistence with the virus. The infection containment and income support measures for households taken by the Italian government have been positive for supply and demand but will lead to a significant increase in public debt. The European Commission's economic forecasts for the autumn predicted a recession for the euro area in 2020 with an estimated 7.8% fall in GDP. For Italy, the main national and international economic institutions predict the economy will contract by between 10% and 11% in 2020.

In Brazil, the expected results could be significantly influenced by the macroeconomic and political context. After two years of falling GDP, which marked one of the deepest crises in its history, the country returned to growth in 2017 (+ 1%) and 2018 closed 1.1% up on the previous year. According to the IBGE – Brazilian Institute of Geography and Statistics - GDP grew by 1.1% in 2019, the same result as the previous year. Despite the government successfully passing the Social Security Reform, the market is still awaiting structural changes needed to improve the Brazilian government's investment capacity for a more significant recovery. External market turbulence, such as the trade war between the United States and China, will also have further repercussions on the recovery of the Brazilian economy.

Following the adoption of stringent measures to restrict circulation and ensure social distancing to reduce the transmission of COVID-19, the recent gradual easing of restrictive measures and the return to economic activities should reduce the negative effects on TIM Brasil's results recorded in the second quarter of 2020, which saw a reduction in revenues in both the prepaid and postpaid segments. However, as yet it is impossible to predict whether the Brazilian economy and TIM Brasil's results will return to pre-crisis levels.

* * *

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