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July 27, 2021

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

TIM GROUP – RECLASSIFIED STATEMENTS

The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows, as well as the Consolidated Net Financial Debt of the TIM Group, herewith presented, are the same as those included in the Interim Management Report of the Half-year Financial Report at June 30, 2021 and are unaudited.

Such statements, as well as the Consolidated Net Financial Debt, are however consistent with those included in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2021.

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 can be made, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2021.

Furthermore, please note that the limited review work by our independent auditors on the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2021 has not yet been completed.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(million euros)

	1st Half 2021	1st Half 2020	Change (a-b)	
	(a)	(b)	absolute	%
Revenues	7,567	7,759	(192)	(2.5)
Other income	169	90	79	87.8
Total operating revenues and other income	7,736	7,849	(113)	(1.4)
Acquisition of goods and services	(3,120)	(2,840)	(280)	(9.9)
Employee benefits expenses	(1,715)	(1,372)	(343)	(25.0)
Other operating expenses	(424)	(502)	78	15.5
Change in inventories	49	6	43	—
Internally generated assets	244	257	(13)	(5.1)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,770	3,398	(628)	(18.5)
Depreciation and amortization	(2,268)	(2,348)	80	3.4
Gains (losses) on disposals of non-current assets	(1)	(8)	7	87.5
Impairment reversals (losses) on non-current assets	—	—	—	—
Operating profit (loss) (EBIT)	501	1,042	(541)	(51.9)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	22	2	20	—
Other income (expenses) from investments	12	448	(436)	—
Finance income	546	501	45	9.0
Finance expenses	(1,128)	(1,104)	(24)	(2.2)
Profit (loss) before tax from continuing operations	(47)	889	(936)	—
Income tax expense	2	(166)	168	—
Profit (loss) from continuing operations	(45)	723	(768)	—
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	(45)	723	(768)	—
Attributable to:				
Owners of the Parent	(137)	678	(815)	—
Non-controlling interests	92	45	47	—

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 Half 2021	1st Half 2020
Profit (loss) for the period	(a)	(45)	723
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		5	(7)
Income tax effect		—	—
	(b)	5	(7)
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		22	(3)
Income tax effect		(5)	1
	(c)	17	(2)
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)	22	(9)
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		(12)	(3)
Loss (profit) transferred to Separate Consolidated Income Statement		(3)	—
Income tax effect		1	(1)
	(f)	(14)	(4)
Hedging instruments:			
Profit (loss) from fair value adjustments		565	610
Loss (profit) transferred to Separate Consolidated Income Statement		(427)	(29)
Income tax effect		(33)	(142)
	(g)	105	439
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		307	(1,443)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	307	(1,443)
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)	398	(1,008)
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	420	(1,017)
Total comprehensive income (loss) for the period	(a+m)	375	(294)
Attributable to:			
Owners of the Parent		187	104
Non-controlling interests		188	(398)

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(million euros)	6/30/2021 (a)	12/31/2020 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	22,710	22,847	(137)
Intangible assets with a finite useful life	6,685	6,740	(55)
	29,395	29,587	(192)
Tangible assets			
Property, plant and equipment owned	13,049	13,141	(92)
Rights of use assets	4,898	4,992	(94)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	2,699	2,728	(29)
Other investments	82	54	28
Non-current financial receivables arising from lease contracts	49	43	6
Other non-current financial assets	2,194	2,267	(73)
Miscellaneous receivables and other non-current assets	2,260	2,114	146
Deferred tax assets	7,592	7,496	96
	14,876	14,702	174
Total Non-current assets (a)	62,218	62,422	(204)
Current assets			
Inventories	340	287	53
Trade and miscellaneous receivables and other current assets	4,349	4,280	69
Current income tax receivables	42	86	(44)
Current financial assets			
Current financial receivables arising from lease contracts	60	55	5
Securities other than investments, other financial receivables and other current financial assets	1,461	1,254	207
Cash and cash equivalents	4,969	4,829	140
	6,490	6,138	352
Current assets sub-total	11,221	10,791	430
Discontinued operations /Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	365	—	365
	365	—	365
Total Current assets (b)	11,586	10,791	795
Total Assets (a+b)	73,804	73,213	591

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)	6/30/2021 (a)	12/31/2020 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	26,006	26,215	(209)
Non-controlling interests	4,592	2,625	1,967
Total Equity (c)	30,598	28,840	1,758
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	21,712	23,655	(1,943)
Non-current financial liabilities for lease contracts	4,106	4,199	(93)
Employee benefits	888	724	164
Deferred tax liabilities	293	277	16
Provisions	689	770	(81)
Miscellaneous payables and other non-current liabilities	3,157	3,602	(445)
Total Non-current liabilities (d)	30,845	33,227	(2,382)
Current liabilities			
Current financial liabilities for financing contracts and others	4,582	3,677	905
Current financial liabilities for lease contracts	660	631	29
Trade and miscellaneous payables and other current liabilities	6,803	6,567	236
Current income tax payables	248	271	(23)
Current liabilities sub-total	12,293	11,146	1,147
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	68	—	68
	68	—	68
Total Current Liabilities (e)	12,361	11,146	1,215
Total Liabilities (f=d+e)	43,206	44,373	(1,167)
Total Equity and Liabilities (c+f)	73,804	73,213	591

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 Half 2021	1st Half 2020
Cash flows from operating activities:		
Profit (loss) from continuing operations	(45)	723
Adjustments for:		
Depreciation and amortization	2,268	2,348
Impairment losses (reversals) on non-current assets (including investments)	(9)	22
Net change in deferred tax assets and liabilities	(49)	87
Losses (gains) realized on disposals of non-current assets (including investments)	1	(439)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(22)	(2)
Change in provisions for employee benefits	256	(435)
Change in inventories	(52)	14
Change in trade receivables	108	321
Change in trade payables	(230)	(574)
Net change in income tax receivables/payables	(235)	68
Net change in miscellaneous receivables/payables and other assets/liabilities	(66)	1,897
Cash flows from (used in) operating activities	(a) 1,925	4,030
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(1,960)	(1,974)
Capital grants received	—	23
Acquisition of control of companies or other businesses, net of cash acquired	—	(7)
Acquisitions/disposals of other investments	(66)	(7)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(204)	(20)
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	9	402
Cash flows from (used in) investing activities	(b) (2,221)	(1,616)
Cash flows from financing activities:		
Change in current financial liabilities and other	(480)	(646)
Proceeds from non-current financial liabilities (including current portion)	1,912	1,097
Repayments of non-current financial liabilities (including current portion)	(2,108)	(1,450)
Changes in hedging and non-hedging derivatives	(38)	(516)
Share capital proceeds/reimbursements (including subsidiaries)	—	8
Dividends paid	(336)	(356)
Changes in ownership interests in consolidated subsidiaries	1,758	(1)
Cash flows from (used in) financing activities	(c) 708	(1,864)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) —	—
Aggregate cash flows	(e=a+b+c+d) 412	550
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) 48	(150)
Net cash and cash equivalents at end of the period	(h=e+f+g) 4,968	3,602

Purchases of intangible, tangible and rights of use assets

(million euros)	1st Half 2021	1st Half 2020
Purchase of intangible assets	(661)	(474)
Purchase of tangible assets	(1,113)	(771)
Purchase of rights of use assets	(287)	(646)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(2,061)	(1,891)
Change in payables arising from purchase of intangible, tangible and rights of use assets	101	(83)
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,960)	(1,974)

Additional Cash Flow information

(million euros)	1st Half 2021	1st Half 2020
Income taxes (paid) received	(254)	(27)
Interest expense paid	(863)	(917)
Interest income received	229	223
Dividends received	86	256

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Half 2021	1st Half 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	4,969	3,603
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	—	—
	4,968	3,602

TIM GROUP - NET FINANCIAL DEBT

(million euros)	6/30/2021 (a)	12/31/2020 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	17,159	18,856	(1,697)
Amounts due to banks, other financial payables and liabilities	4,553	4,799	(246)
Non-current financial liabilities for lease contracts	4,106	4,199	(93)
	25,818	27,854	(2,036)
Current financial liabilities (*)			
Bonds	3,347	988	2,359
Amounts due to banks, other financial payables and liabilities	1,235	2,689	(1,454)
Current financial liabilities for lease contracts	660	631	29
	5,242	4,308	934
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	31,060	32,162	(1,102)
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(49)	(43)	(6)
Financial receivables and other non-current financial assets	(2,194)	(2,267)	73
	(2,243)	(2,310)	67
Current financial assets			
Securities other than investments	(1,311)	(1,092)	(219)
Current financial receivables arising from lease contracts	(60)	(55)	(5)
Financial receivables and other current financial assets	(150)	(162)	12
Cash and cash equivalents	(4,969)	(4,829)	(140)
	(6,490)	(6,138)	(352)
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(8,733)	(8,448)	(285)
Net financial debt carrying amount	22,327	23,714	(1,387)
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(255)	(388)	133
Adjusted Net Financial Debt	22,072	23,326	(1,254)
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	29,395	30,193	(798)
Total adjusted financial assets	(7,323)	(6,867)	(456)
<i>(*) of which current portion of medium/long-term debt:</i>			
Bonds	3,347	988	2,359
Amounts due to banks, other financial payables and liabilities	924	1,541	(617)
Current financial liabilities for lease contracts	657	628	29

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(million euros)

	1st Half 2021 (a)	1st Half 2020 (b)	Change (a-b)
EBITDA	2,770	3,398	(628)
Capital expenditures on an accrual basis	(1,808)	(1,254)	(554)
Change in net operating working capital:	(113)	(53)	(60)
Change in inventories	(52)	14	(66)
Change in trade receivables	108	321	(213)
Change in trade payables	(384)	(1,293)	909
Other changes in operating receivables/payables	215	905	(690)
Change in provisions for employee benefits	256	(435)	691
Change in operating provisions and Other changes	(286)	(111)	(175)
Net operating free cash flow	819	1,545	(726)
% of Revenues	10.8	19.9	(9.1)pp
Sale of investments and other disposals flow	1,766	1,018	748
Share capital increases/reimbursements, including incidental expenses	—	8	(8)
Financial investments	(66)	(20)	(46)
Dividends payment	(336)	(356)	20
Increases in lease contracts	(253)	(637)	384
Finance expenses, income taxes and other net non-operating requirements flow	(676)	139	(815)
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,254	1,697	(443)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	1,254	1,697	(443)

Equity Free Cash Flow

(million euros)

	1st Half 2021	1st Half 2020	Change
Net Operating Free Cash Flow	819	1,545	(726)
Mobile telephone licenses / spectrum	240	—	240
Financial management	(587)	(604)	17
Income taxes and Other	(109)	37	(146)
Equity Free Cash Flow	363	978	(615)

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

(million euros)	1st Half 2021	1st Half 2020	Changes (a-b)		
	(a)	(b)	absolute	%	% organic excluding non-recurring
Revenues	6,233	6,259	(26)	(0.4)	(0.8)
EBITDA	2,146	2,684	(538)	(20.0)	(5.6)
% of Revenues	34.4	42.9		(8.5)pp	(2.1)pp
EBIT	313	833	(520)	(62.4)	(15.0)
% of Revenues	5.0	13.3		(8.3)pp	(2.0)pp
Headcount at period-end (number) (*)	43,157	(*) 42,925	232	0.5	

(*) Includes employees with temp work contracts: 12 units at June 30, 2021 (9 units at December 31, 2020).

(*) Headcount at December 31, 2020

(million euros)	2nd Quarter 2021	2nd Quarter 2020	Change (a-b)		
	(a)	(b)	amount	%	% organic excluding non-recurring
Revenues	3,132	3,146	(14)	(0.4)	(1.0)
EBITDA	1,271	1,338	(67)	(5.0)	(8.4)
% of Revenues	40.6	42.5		(1.9)pp	(3.4)pp
EBIT	356	403	(47)	(11.7)	(20.2)
% of Revenues	11.4	12.8		(1.4)pp	(3.0)pp

Fixed

	6/30/2021	12/31/2020	6/30/2020
Total TIM Retail accesses (thousands)	8,765	8,791	8,943
of which NGN ⁽¹⁾	4,926	4,432	4,031
Total TIM Wholesale accesses (thousands)	7,822	7,974	8,083
of which NGN	4,516	4,220	3,862
Active Broadband accesses of TIM Retail (thousands)	7,783	7,635	7,523
Consumer ARPU (€/month) ⁽²⁾	31.1	33.0	33.6
Broadband ARPU (€/month) ⁽³⁾	32.6	31.3	29.8

(1) UltraBroadband access in FTTx and FWA mode, also including "data only" lines.

(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.

(3) Revenues from organic broadband and ICT services in proportion to the average TIM retail accesses.

Mobile

	6/30/2021	12/31/2020	6/30/2020
Lines at period end (thousands)	30,317	30,170	30,502
of which Human	19,306	19,795	20,155
Churn rate (%) ⁽⁴⁾	7.5	18.6	9.2
Broadband users (thousands) ⁽⁵⁾	12,853	12,818	12,875
Retail ARPU (€/month) ⁽⁶⁾	7.5	8.0	8.3
Human ARPU (€/month) ⁽⁷⁾	11.6	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 2020 for the Domestic Business Unit are presented in the following table, broken down by market/business segment and compared to the first quarter of 2020:

	(million euros)				% Change			
	2nd Quarter 2021	2nd Quarter 2020	1st Half 2021	1st Half 2020	(a/b)	(c/d)	organic excluding non-recurring (a/b)	organic excluding non-recurring (c/d)
	(a)	(b)	(c)	(d)				
Revenues	3,132	3,144	6,233	6,259	(0.4)	(0.4)	(1.0)	(0.8)
Consumer	1,327	1,432	2,735	2,904	(7.3)	(5.8)	(7.7)	(6.1)
Business	1,016	994	1,999	1,980	2.2	1.0	0.4	(0.5)
Wholesale National Market	534	496	1,029	931	7.7	10.5	7.5	10.5
Wholesale International Market	250	224	468	445	11.6	5.2	14.2	7.3
Other	5	(2)	2	(1)				



Brazil

	(million euros)		(million Brazilian reais)		Changes		
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,348	1,517	8,747	8,202	545	6.6	6.6
EBITDA	630	718	4,086	3,883	203	5.2	5.6
% of Revenues	46.7	47.3	46.7	47.3		(0.6)pp	(0.4)pp
EBIT	194	212	1,256	1,144	112	9.8	11.0
% of Revenues	14.4	13.9	14.4	13.9		0.5pp	0.6pp
Headcount at period-end (number)			9,234	(*)9,409	(175)	(1.9)	

	(million euros)		(million Brazilian reais)		Change		
	2nd Quarter 2021	2nd Quarter 2020	2nd Quarter 2021	2nd Quarter 2020	amount	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	690	658	4,407	3,987	420	10.5	10.5
EBITDA	326	328	2,078	1,967	111	5.6	6.4
EBITDA margin	47.2	49.3	47.2	49.3		(2.1)pp	(1.8)pp
EBIT	104	107	664	629	35	5.6	7.8
EBIT margin	15.1	15.8	15.1	15.8		(0.7)pp	(0.4)pp

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	1st Half 2021 (a)	Year 2020 (b)	1st Half 2020 (c)	Change (a-c)
Average salaried workforce – Italy	39,951	40,140	39,501	450
Average salaried workforce – Outside Italy	9,069	8,959	8,927	142
Total average salaried workforce ⁽¹⁾	49,020	49,099	48,428	592

(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)	6/30/2021 (a)	12/31/2020 (b)	6/30/2020 (c)	Change (a-b)
Headcount – Italy	42,910	42,680	45,236	230
Headcount – Outside Italy	9,494	9,667	9,847	(173)
Total headcount at period end ⁽¹⁾	52,404	52,347	55,083	57

(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)	6/30/2021 (a)	12/31/2020 (b)	6/30/2020 (c)	Change (a-b)
Domestic	43,157	42,925	45,473	232
Brazil	9,234	9,409	9,596	(175)
Other Operations	13	13	14	—
Total	52,404	52,347	55,083	57

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 Half 2021	1st Half 2020
Revenues:		
Revenue adjustments	—	(37)
Other operating income:		
Recovery of operating expenses	1	—
Absorption of other operational provisions	—	1
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(27)	(26)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(335)	(36)
Other operating expenses:		
Sundry expenses and other provisions	(86)	(39)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(447)	(137)
Impact on EBIT - Operating profit (loss)	(447)	(137)
Other income (expenses) from investments:		
Net gain INWIT transactions	—	448
Finance expenses:		
Miscellaneous finance expenses	(1)	(2)
Impact on profit (loss) before tax from continuing operations	(448)	309
Income taxes on non-recurring items	104	31
Impact on profit (loss) for the period	(344)	340

During the first half of 2021, the COVID-19 emergency meant that the TIM Group incurred non-recurring charges, gross of tax effects, for approximately 18 million euros, of which 15 million euros connected with credit management deriving from the forecast deterioration in the expected credit loss of some customers. In addition to this, the figures stated include both non-recurring charges connected with corporate reorganization/restructuring processes and provisions for disputes, transactions, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects. During the first half of 2020, the COVID-19 emergency had incurred non-recurring charges, gross of tax effects, for a total of 69 million euros, mainly connected with adjustments to revenues (37 million euros), following the commercial initiatives of TIM S.p.A. to support customers to fight the emergency and operating costs for 32 million euros mainly relating to provisions and expenses connected with credit management (21 million euros) and procurement and miscellaneous costs (11 million euros).

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at June 30, 2021:

(billion euros)	6/30/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF – maturing May 2026	4.0	—	—	—
Revolving Credit Facility – maturing January 2023	—	—	5.0	—
Bridge to Bond Facility – maturing May 2021	—	—	1.7	—
Total	4.0	—	6.7	—

At June 30, 2021, TIM had bilateral Term Loans for 965 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.

On May 13, 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the Group's first ever ESG-linked credit facility.

Bonds

The change in bonds in the first half 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
TIM S.A. 1,600 million BRL IPCA+4.1682%	BRL	1,600	6/15/2021

(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 June 30, 2021 was 222 million euros, up by 5 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 June 30, 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 3,106 million euros. With the following detail:

- 222 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 Group¹; 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), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, it has extended the loan signed in 2019 for an amount of 120 million euros. Therefore, at June 30, 2021 the nominal total of outstanding loans with the EIB was 1,200 million euros, of which 850 million drawn down, none of it backed by a bank guarantee.

The three EIB loans signed on December 14, 2015, November 25, 2019 and May 19, 2021 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, 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 June 30, 2021, no covenant, negative pledge or other clause relating to the debt position had in any way been breached or violated.

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, from the amounts connected with 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 “reported figure” and the “organic excluding the non-recurring component” figure.
- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful indicator of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.
- **Net Financial Debt**: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. This 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