

## Press Release

### **TIM: BOARD OF DIRECTORS APPROVES FINANCIAL REPORT AT DECEMBER 31, 2022**

Organic results:

#### **PRELIMINARY RESULTS EXAMINED BY THE BOD LAST FEBRUARY 14 CONFIRMED**

#### **SHAREHOLDERS' MEETING CONVENED FOR THIS COMING APRIL 20**

*Rome, March 15, 2023*

TIM's Board of Directors, which met today chaired by Salvatore Rossi, approved the Consolidated Financial Statements of the TIM Group, the draft Separate Financial Statements of TIM S.p.A. and Sustainability Report at December 31, 2022.

The fourth quarter results, which record a further improvement on the previous quarters thanks to the stabilization and re-launch of the domestic business and the acceleration of the development of TIM Brasil, make it possible to reach or even exceed the objectives set for 2022, which had partly been raised last August.

In 2022, TIM carried out more than 40 environmental, social and governance projects in Italy to improve sustainability performance and achieve the ESG targets set in the 2022-2024 Business Plan. The results are explained and quantified in the 2022 Sustainability Report in terms of the reduction of greenhouse gas emissions and the increased efficiency in the consumption of resources, waste-to-energy achieved with circular economy processes, the development of human capital, the strengthening of the ultrabroadband networks and data centers and the contribution made towards the digital and sustainable transformation of the PA and Italian enterprises.

The Board of Directors resolved to call the Shareholders to meet on April 20, 2023 (single call) at the Company's registered offices, by virtue of the regulations set forth in Decree Law no. 18 of March 17, 2020 as subsequently amended, envisaging that the shareholders shall attend exclusively through the Company's designated representative and authorizing electronic voting using TIM's standard procedure.

Votes may be cast independently, before the Shareholders' Meeting, by post or electronically.

Full details regarding the exercise of shareholders' rights will be set out in the call notice, which will be published in accordance with the law.

The Shareholders' Meeting will be called to resolve on the following matters:

1. **Financial Statements at December 31, 2022 - covering the loss for the year**

With the approval of the financial statements at 31 December 2022, a proposal will be made to the Shareholders' Meeting to cover the loss for the year by drawing on reserves.

2. **Report on the policy regarding remuneration and fees paid**

The Shareholders' Meeting will be called to approve the two sections of the Report on the Remuneration Policy: with a binding vote for the first section dedicated to the remuneration policy

**TIM S.p.A.**

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Tax Code/VAT No. and registration with the Milan Business Register: 00488410010 - Registration in the R.A.E.E. (Register of Manufacturers of Electrical and Electronic Equipment) IT08020000000799

Share Capital €11,677,002,855.10 fully paid up Certified e-mail address [Casella PEC]: [telecomitalia@pec.telecomitalia.it](mailto:telecomitalia@pec.telecomitalia.it)

for 2023, and with a non-binding vote for the second section, which illustrates the fees paid in 2022. The document will be made available to the public within the terms of the law, as will the annual financial report and the report on corporate governance and share ownership, also approved today by the Board of Directors.

### **3. Resolutions arising from the resignation of three Directors**

The cooptation of Giulio Gallazzi and Massimo Sarmi as Directors to replace, respectively, Luca De Meo and Frank Cadoret, expires with the forthcoming Shareholders' Meeting, where it will be proposed that they should be confirmed for the residual mandate of the Board (until approval of the financial statements at December 31, 2023).

As regards the appointment of the third Director, as the Board of Directors has chosen not to make any proposal in this respect, the Shareholders are asked to submit candidates.

### **4. 2023 Short-term incentive plan (MBO)**

A proposal will be submitted to the Shareholders' Meeting asking that they approve a new short-term incentive plan (MBO) for 2023, based on ordinary TIM shares and included in the company Remuneration Policy explained in the first section of the specific report. The information document to be published within the terms of the law will provide more information. However, it should be noted that the short-term incentive plan introduces, as part of the more extensive short-term incentive scheme applied to the Chief Executive Officer and management (MBO), a partial deferral and co-investment mechanism applicable to a selected number of managers, in line with the recommendations of the Corporate Governance Code and the most advanced practices.

### **5. Long Term Incentive Plan 2023-2025 – approval of the compensation plan based on financial instruments**

The Shareholders' Meeting will be asked to approve a Long Term Incentive Plan consisting of the free assignment of ordinary Telecom Italia shares to the Chief Executive Officer, Top Management and a select number of managers holding key roles for the achievement of the 2023-2025 Strategic Plan objectives.

### **6. Request for authorization to purchase and dispose of treasury shares to serve the 2023 Short-Term Incentive Plan (MBO) and the 2023-2025 Long-Term Incentive Plan**

The Shareholders' Meeting will be asked to authorize the purchase (within 18 months) of up to 135 million ordinary Telecom Italia shares in order to serve the 2023 Short-term incentive plan (MBO) and the Long Term Incentive Plan 2023-2025. Purchases will be made on regulated markets in compliance with and within the limits set forth by applicable regulations and the operating procedures established by Borsa Italiana S.p.A..

The reasons and terms of the proposal will be explained in detail in the Board of Directors' report.

The full text of the proposed resolutions and the reports of the Board of Directors relating to the items on the agenda and all related documentation will be made available, within the terms and according to the procedures indicated by law, at TIM's registered office in Milan, Via G. Negri no. 1, at the centralised storage mechanism for regulated information SDIR-NIS, managed by Computershare S.p.A., at the Internet address [www.1info.it](http://www.1info.it) and on the Company's website at <https://www.gruppotim.it/en/investors/shares/agm.html>.

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## Financial highlights

(million euros) - reported data	2022	2021	% Change
	(a)	(b)	(a-b)
Revenues	15,788	15,316	3.1
EBITDA	5,347	5,080	5.3
EBITDA Margin	33.9%	33.2%	0.7pp
EBIT	606	(3,529)	—
EBIT Margin	3.8%	(23.0%)	26.8pp
Profit (loss) for the period attributable to owners of the Parent	(2,925)	(8,652)	66.2
Capital Expenditures & spectrum	4,077	4,630	(11.9)
	12/31/2022	12/31/2021	Absolute Change
	(a)	(b)	(a-b)
Adjusted Net Financial Debt	25,364	22,187	3,177

## Organic results <sup>(1)</sup>

(million euros) - organic data	2022	2021	% Change
	(a)	(b)	
<b>TOTAL REVENUES</b>	<b>15,788</b>	<b>15,834</b>	<b>(0.3)</b>
Domestic	11,858	12,543	(5.5)
Brazil	3,963	3,320	19.2
Other operations, adjustments and eliminations	(33)	(29)	—
<b>SERVICE REVENUES</b>	<b>14,600</b>	<b>14,409</b>	<b>1.3</b>
Domestic	10,799	11,221	(3.8)
<i>o/w Wireline</i>	8,276	8,607	(3.8)
<i>o/w Mobile</i>	3,060	3,152	(2.9)
Brazil	3,834	3,217	19.0
Other operations, adjustments and eliminations	(33)	(29)	—
<b>EBITDA</b>	<b>6,029</b>	<b>6,459</b>	<b>(6.7)</b>
Domestic	4,174	4,872	(14.3)
Brazil	1,863	1,599	16.4
Other operations, adjustments and eliminations	(8)	(12)	—
<b>EBITDA After Lease</b>	<b>4,995</b>	<b>5,588</b>	<b>(10.6)</b>
Domestic	3,662	4,363	(16.1)
Brazil	1,341	1,237	8.5
Other operations, adjustments and eliminations	(8)	(12)	—
<b>CAPEX (net of telecommunications licenses)</b>	<b>3,979</b>	<b>3,942</b>	<b>0.9</b>
Domestic	3,127	3,137	(0.3)
Brazil	852	805	5.7

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

(million euros) - reported data	2022	2021	% Change
	(a)	(b)	
<b>Equity Free Cash Flow</b>	<b>624</b>	<b>632</b>	<b>(1.3)</b>
<b>Equity Free Cash Flow After Lease</b>	<b>(26)</b>	<b>62</b>	<b>—</b>
<b>Adjusted Net Financial Debt <sup>(2)</sup></b>	<b>25,364</b>	<b>22,187</b>	<b>14.3</b>
<b>Net Financial Debt After Lease <sup>(2)</sup></b>	<b>20,015</b>	<b>17,573</b>	<b>13.9</b>

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

## The Group's ESG performance

In 2022, sustainability activities involved all areas of the company through more than 40 projects aiming to achieve the targets established in the 2022-2024 ESG Plan.

### ENVIRONMENT

In terms of energy, total consumption has remained in line with 2021, in respect of an increase in data on networks and data centers. The result was achieved thanks to action taken to improve the energy efficiency of infrastructures and the use of eco-efficient technologies, which in Italy led to the issue of energy efficiency certificates for about 3.8 million euros.

The pursuit of the reduction of greenhouse gas emissions continued in order to achieve the Carbon Neutrality objectives in 2030 and net zero objectives in 2040, set at Group level. Emissions have reduced as follows compared with 2021:

- relative to production (Scope 1), by 12%;
- generated by the purchase of electricity (Scope 2), by 16%;
- deriving from the purchase of goods and services, instrumental assets and the use of goods sold (Scope 3), by 13%.

The increase in energy from renewable sources is confirmed, reaching 61% (in Brazil the purchase of renewable energy reached 100% in 2021).

In 2022, TIM climate strategy was validated by SBTi. TIM has set itself two objectives in particular, certified by SBTi, to be achieved by 2030 as compared with 2019:

- to reduce Scope 1 and Scope 2 emissions by 75%;
- to reduce Scope 3 emissions by 47%, in particular those relating to the purchase of goods and services, instrumental assets and the use of goods sold.

In Italy, circular economy processes have been implemented also thanks to the "Circular Economy Ratio", a performance indicator introduced in 2022, which compares the revenues deriving from the resale of special waste and unused goods/materials with total waste production. In 2022, the indicator reached a value of 0.3 euros/kg, with an increase of 0.26 euros/kg on 2021, thanks to the lesser waste production and the generation of revenues from resale for 2.4 million euros.

A new stage along the route towards a sustainable supply chain has also been marked out, with participation as Value chain partner in the Open-es project which, through an ESG assessment system based on international standards, will allow for the qualification of suppliers according to shared sustainability criteria. More than 900 suppliers of TIM adhered to the initiative in 2022.

As regards the commercial offer to people and families, the "Fiber up to 10 Gbps" offer has been launched, with fiber optic coverage by the TIM network through to the customer's home and dedicated assistance. Eco-sustainable products have also been made available (the "TIM Green" range), accounting for 60% of all products offered by TIM.

### SOCIAL

Digital transformation activities have been launched.

In Italy, through TIM Enterprise, whose aim is to enable companies and the public administration to increase the efficiency, speed and security of processes, thanks to digital technologies, in line with the 2022-2024 ESG Plan, a 21% increase has been recorded in revenues from IoT and Security Services compared with 2021, and a 31% increase in Digital Identity Services compared with 2021. In August 2022, through the Polo Strategico Nazionale company set up by TIM, SOGEI, Leonardo and Cassa Depositi e Prestiti, the Convention was signed for the design, implementation and management of the Cloud infrastructure that will host the Public Administration's critical and strategic data and services.

In Brazil, TIM has been confirmed as the first mobile operator to cover 100% of Brazilian municipalities with its 4G network.

Attention to sustainability has also been paid in the management of human capital.

In Italy, a continuous training plan has been defined on the skills required by the ICT market, involving all employees for a total of 2.1 million hours delivered (more than 50 hours per head, of which 14 dedicated to the main ESG topics). As regards smartworking, 2022 saw 25,000 employees opt for this, for a total of 46,800 tons CO<sub>2</sub> avoided, equal to 6.6 thousand car trips around the earth. The commitment has also continued to overcome the gender gap: at a Group level, 43% of BoD members are now women and over 28% of those holding positions of responsibility; the pay gap has also been zeroed in management and reduced in middle management.

To guide management's work, a short- and long-term incentive policy has also been implemented, hinged on ESG objectives.

In Brazil too, training involved all employees for a total of approximately 0.6 million hours (62 hours per head), with a 24% increase on 2021 and a priority focus on developing competences associated with the technological and market evolution and strengthening the ESG culture.

## GOVERNANCE

**A platform has been implemented to collect and manage Group ESG data**, essential for reporting, and which also includes a strong control system of the consistency and completeness of the data reported.

TIM Brasil has obtained certifications for the management of **cyber security** and transparency, like ISO 27001.

**The ESG results for 2022 are in line with the targets of the 2022-2024 Plan** and the reporting will take place with the publication of the Non-Financial Statement. Information on the eligibility and alignment with Taxonomy of the economic activities with respect to the objectives of mitigating and adapting to climate change, is given in the Sustainability Report.



## Introduction

The TIM Group and TIM S.p.A. Consolidated Financial Statements for the year 2022 and the comparative figures for the previous year have been prepared in compliance with IFRS issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS").

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements and the TIM S.p.A. Separate Financial Statements at December 31, 2021, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2022.

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition.

Specifically, these alternative performance measures refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; Net financial debt carrying amount and adjusted net financial debt; Equity free cash flow; Cash flow from operations; Cash flow from operations (net of licenses). Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance measures: EBITDA After Lease ("EBITDA-AL"), Adjusted net financial debt After Lease, Equity Free Cash Flow After Lease.

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

Lastly, the section entitled "Business Outlook for the year 2023" contains forward-looking statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of this Press Release are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control.

Finally, it should be noted that the audit of the TIM consolidated and separate Financial Statements at December 31, 2022 has not yet been completed.



## Main changes in the scope of consolidation of the TIM Group

The main changes in the scope of consolidation during **2022** were the following:

- *Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.* (which joined the *Brazil Business Unit* scope): on April 20, 2022, TIM S.A. (Brazilian subsidiary of the TIM Group) acquired 100% of the share capital of Cozani, the company to which the business unit relating to the part share of the assets, rights and obligations of the mobile telephone business of Oi Móvel - Em Recuperação Judicial, has flowed;
- *Mindicity S.r.l.* (which joined the *Domestic Business Unit* scope): Olivetti S.p.A. acquired 70% share capital of the company on May 30, 2022. Mindicity manages a software platform and business under the scope of smart cities;
- *Movenda S.p.A.* (which joined the *Domestic Business Unit* scope): TIM S.p.A. acquired 100% share capital of the company in July 2022. Movenda offers digital identity solutions. On December 31, 2022, the merger by incorporation of Movenda S.p.A. into TIM S.p.A. took effect, with accounting and tax effects from July 1, 2022;
- *Daphne 3 S.p.A.* (which left the *Domestic Business Unit* scope): on August 4, 2022, TIM S.p.A. transferred 41% of the share capital of the holding Daphne 3, which has a 30.2% investment in Infrastrutture Wireless Italiane ("INWIT") to a consortium of investors led by Ardian.

The following should also be noted:

- *Polo Strategico Nazionale S.p.A.*: the company was established on August 4, 2022, it deals with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for the public administration. TIM S.p.A. holds 45% of the Joint Venture's share capital (measured for the purposes of the consolidated financial statements using the equity method).

During **2021**, the main corporate transactions were as follows:

- *Noovle S.p.A. (Domestic Business Unit)*: starting January 1, 2021, the conferral has been effective to Noovle S.p.A. of the TIM S.p.A. business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing;

- *FiberCop S.p.A.; Flash Fiber S.r.l. (Domestic Business Unit)*: starting March 31, 2021, the conferral has been effective to FiberCop S.p.A. of the TIM S.p.A. business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive access services by means of the secondary copper and fiber network. At the same time, the purchase was completed by Teemo Bidco, an indirect subsidiary of KKR Global Infrastructure Investors III L.P., of 37.5% of FiberCop from TIM and Fastweb has subscribed FiberCop shares corresponding to 4.5% of the company's capital, through the conferral of the stake held in Flash Fiber, which was simultaneously incorporated into FiberCop;
- *TIM Tank S.r.l. (Other operations)*: on April 1, 2021, it was merged into Telecom Italia Ventures S.r.l. with accounting and tax effects backdated to January 1, 2021;
- *Telecom Italia Trust Technologies S.r.l. (Domestic Business Unit)*: starting April 1, 2021, the investment in the company was conferred by TIM S.p.A. to Olivetti S.p.A.;
- *TIM S.p.A. (Domestic Business Unit)*: on June 30, 2021, the purchase of the BT Italia Business Unit was completed, offering services to public administration customers and small and medium business/enterprise (SMB/SME) customers. The purchase also included support for customers of the SMB Business Unit, supplied by Atlanet, the BT Contact Center of Palermo;
- *TIM Servizi Digitali S.p.A. (Domestic Business Unit)*: company established on July 30, 2021; the company's corporate purpose is the development and maintenance of plants for the supply of telecommunications services; to this end, we note that in September 2021, the company stipulated a rental contract with Sittel S.p.A. for a business unit consisting of the construction, delivery and assurance of telecommunications networks and plants;
- *Panama Digital Gateway S.A. (Domestic Business Unit)*: company established in July 2021 for the construction of a digital hub that seeks to offer a reference hub for the whole of Central America, the region of the Andes and the Caribbean;
- *Staer Sistemi S.r.l. (Domestic Business Unit)*: company acquired by Olivetti S.p.A. on September 30, 2021. The company's corporate purpose is the carrying out of activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants;
- *I-Systems S.A. (Brazil Business Unit)*: starting November 2021, following completion of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. ("IHS Brasil"), IHS Brasil holds 51% of the company's share capital. The remaining 49% is held by TIM S.A.. I-Systems S.A. is the company established by TIM S.A. to segregate its network assets and the provision of infrastructure services;
- *Olivetti Payments Solutions S.p.A. (Domestic Business Unit)*: company incorporated on December 1, 2021. The corporate purpose regards the management of equity investments, research and studies, commercial, industrial, financial, securities and real estate activities.

## TIM Group results for the 2022 financial year

The economic-financial results set forth below confirm the preliminary results of FY 2022 reported on February 14, 2023; reference is made to the information provided on such date for more in-depth analysis.

**Total TIM Group revenues** for the year 2022, amounted to **15,788 million euros**, +3.1% compared to 2021 (15,316 million euros). Excluding revenues from the Oi Group mobile business, acquired in Brazil, consolidated revenues would come to 15,640 million euros.

The breakdown of total revenues for the year 2022 by operating segment in comparison with 2021 is as follows:

(million euros)	2022		2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	11,858	75.1	12,505	81.6	(647)	(5.2)	(5.5)
Brazil	3,963	25.1	2,840	18.5	1,123	39.5	19.2
Other Operations	—	—	—	—	—	—	—
Adjustments and eliminations	(33)	(0.2)	(29)	(0.1)	(4)	—	—
<b>Consolidated Total</b>	<b>15,788</b>	<b>100.0</b>	<b>15,316</b>	<b>100.0</b>	<b>472</b>	<b>3.1</b>	<b>(0.3)</b>

The organic change in the Group's consolidated revenues is calculated by excluding the effect of exchange rate changes<sup>1</sup> (+513 million euros), as well as any non-recurring items (0 million euros in 2022, 5 million euros in 2021).

**TIM Group EBITDA** for 2022 came to **5,347 million euros** (5,080 million euros in 2021, +5.3% in reported terms, -6.7% in organic terms). Excluding the results of the Oi Group mobile business acquired in Brazil, consolidated EBITDA would come to 5,238 million euros.

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for 2022 compared with 2021, are as follows:

(million euros)	2022		2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	3,519	65.8	3,730	73.4	(211)	(5.7)	(14.3)
% of Revenues	29.7	—	29.8	—	—	(0.1)pp	(3.6)pp
Brazil	1,839	34.4	1,362	26.8	477	35.0	16.4
% of Revenues	46.4	—	48.0	—	—	(1.6) pp	(1.2) pp
Other Operations	(12)	(0.2)	(12)	(0.2)	—	—	—
Adjustments and eliminations	1	—	—	—	1	—	—
<b>Consolidated Total</b>	<b>5,347</b>	<b>100.0</b>	<b>5,080</b>	<b>100.0</b>	<b>267</b>	<b>5.3</b>	<b>(6.7)</b>

EBITDA for 2022 suffers the impact of non-recurring net charges for a total of 682 million euros (1,144 million euros in 2021, including 1 million euros for the exchange effect).

**Organic EBITDA - net of the non-recurring items** amounted to **6,029 million euros**; the EBITDA margin was 38.2% (6,459 million euros in 2021, with an EBITDA margin of 40.8%).

**Organic EBITDA excluding the use of the risk provisions for onerous contracts** came to 5,683 million euros in 2022.

**TIM Group EBIT** for 2022 came to **606 million euros** (-3,529 million euros in 2021).

**Organic EBIT, net of the non-recurring items**, amounted to **1,288 million euros** (1,816 million euros in 2021), with an EBIT margin of 8.2% (11.5% in 2021).

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

<sup>1</sup> The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.43993 in 2022 and 6.35936 in 2021 for the Brazilian real. For the US dollar, the average exchange rates used were 1.05335 in 2022 and 1.18285 in 2021. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.



(million euros)	2022	2021	Changes	
			absolute	%
<b>EBIT</b>	<b>606</b>	<b>(3,529)</b>	<b>4,135</b>	<b>—</b>
Foreign currency financial statements translation effect		81	(81)	
Non-recurring expenses (income)	682	5,263	(4,581)	
Effect of translating non-recurring expenses (income) in		1	(1)	
<b>ORGANIC EBIT - excluding non-recurring items</b>	<b>1,288</b>	<b>1,816</b>	<b>(528)</b>	<b>(29.1)</b>

**Net impairment losses on non-current assets** were null in 2022. In 2021 they amounted to 4,120 million euros.

In detail, in accordance with IAS 36, Goodwill is not subject to amortization, but is tested for impairment on an annual basis, when preparing the company's separate and consolidated financial statements.

In preparing the Annual Report for 2022, the TIM Group carried out an impairment test on Goodwill. The results of that testing, carried out in accordance with the specific procedure adopted by the Group, confirmed the amounts of Goodwill allocated to the Group's individual Cash Generating Units.

Net impairment losses on non-current assets for the year 2021 (-4,120 million euros) related to the Goodwill impairment loss attributed to the Domestic Cash Generating Unit.

**Other income (expenses) from investments** came to 206 million euros (126 million euros in 2021) and are mainly as follows:

- the net capital gain of 171 million euros connected with the August 2022 sale of 41% of the share capital of the holding company Daphne 3, which holds a 30.2% share in Infrastrutture Wireless Italiane - INWIT;
- the net capital gain of 33 million euros connected with the October 2022 sale of the equity investment in Satispay.

In 2022, **income tax expense** was recorded for 2,066 million euros (3,885 million euros in 2021) and mainly reflects the impact deriving from the exercise of the revocation option of the realignment of goodwill, resolved by TIM's Board of Directors on November 9, 2022, as permitted by the Italian government Budget Law for financial year 2022 and as detailed in the Provision of the Revenue Agency Manager, published on September 29, 2022.

More specifically - having acknowledged publication of such Measure governing the terms, conditions and operating procedures for revocation - the Company assessed economic-financial advantageousness and considered it a priority to strengthen the industrial investments to be made to support the various business areas, an alternative to the financial commitment connected with the payment of substitute tax on the realignment.

Therefore, as there was no longer any basis for entering Deferred tax assets, they have been written-off entirely for a net amount of 1,964 million euros as follows:

- expense of -2,656 million euros for the write-off of deferred tax assets of TIM S.p.A.:
  - in the TIM S.p.A. financial statements at December 31, 2020, the amount of 6,569 million euros had been entered for deferred tax assets in respect of a tax recognition of higher values entered in the financial statements pursuant to Decree Law 104/2020, art. 110, subsections 8 and 8 bis, which enabled the deductibility over 18 years, starting 2021, of the tax amortization of the realigned value, in respect of substitute tax in the amount of 3% of the realigned value (692 million euros, to be paid in 3 annual installments of equal amount);
  - in the financial statements at December 31, 2021, a partial write-down had been entered for an amount of -3,913 million euros, connected with the extension to 50 years of the period of tax asset absorption introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recoverability of deferred tax assets of TIM S.p.A.;
- income of 692 million euros for the reversal of substitute tax that had been allocated for the realignment; in detail, entry of a receivable of 231 million euros related to the first installment, paid on June 30, 2021 and reversal of a payable of 461 million euros for the second and third installments, which will not be paid following revocation of the realignment. The first installment, as envisaged by the Measure, has been recovered financially, offsetting it against tax payments made using the "F24" return, which the Company filed in December 2022, following filing of the supplementary declaration formalizing revocation of the realignment.

**The Net loss attributable to Owners of the Parent for 2022**, was 2,925 million euros (-8,652 million euros in 2021), suffering the negative impact of net non-recurring expenses for 2,431 million euros (8,692 million euros in 2021).

The TIM Group **headcount** at December 31, 2022 was **50,392**, including 40,752 in Italy (51,929 at December 31, 2021, including 42,347 in Italy).

**Capital expenditures and expenses for mobile telephone licenses/spectrum** for 2022 were 4,077 million euros (4,630 million euros in 2021).

Capex is broken down as follows by operating segment:

(million euros)	2022		2021		Change
		% weight		% weight	
Domestic	3,207	78.7	3,377	72.9	(170)
Brazil	870	21.3	1,253	27.1	(383)
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
<b>Consolidated Total</b>	<b>4,077</b>	<b>100.0</b>	<b>4,630</b>	<b>100.0</b>	<b>(553)</b>
% of Revenues	25.8		30.2		(4.4)pp

In particular:

- the **Domestic Business Unit** reports capital expenditures of 3,207 million euros, with a significant portion intended for the development of FTTC/FTTH networks (including 80 million euros for the acquisition of telecommunications licenses), down by 170 million euros compared to 2021, mainly due to the streamlining and prioritization of spending implemented by the Business Unit;
- the **Brazil Business Unit** posted capital expenditures in 2022 of 870 million euros (1,253 million euros for 2021). Excluding the impact of changes in exchange rates (+211 million euros), capex decreased by 594 million euros on the previous year. More specifically, capex for 2021 included the acquisition of frequencies for 5G services (564 million euros). Technological investments represent 91% of total capex and were mainly driven by mobile Broadband coverage to achieve completion of 100% of Brasil municipalities, by the significant coverage of capitals with new 5G SA technology and by the full completion of Oi infrastructure integration. Besides Mobile core business expansion, the Business Unit continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

The Group's **operating free cash flow** for 2022 showed absorption of 625 million euros: operating cash generation, positive for 1,617 million euros, is counterbalanced by the payment made in September 2022 of the last tranche of the right to use 5G frequencies in Italy (1,738 million euros) as well as other payments for the acquisition of rights of use of telecommunication service frequencies in Brazil and Italy for a total of 504 million euros. In 2021, operating free cash flow was positive for 1,444 million euros (+1,879 million euros operating cash generation against 435 million euros for the acquisition of rights of use of telecommunication service frequencies).

The **Equity Free Cash Flow** for 2022 amounted to 624 million euros (632 million euros in 2021). This financial measure represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies.

**Adjusted net financial debt** amounted to 25,364 million euros at December 31, 2022, **an increase of 3,177 million euros compared to December 31, 2021** (22,187 million euros). This increase is attributable on the one hand to the positive effect of:

- the aforementioned cash flow from operative-financial management;
- the coverage of a total of 1,184 million euros due to the sale of 41% and the consequent deconsolidation of the holding company Daphne 3, which holds a 30.2% share in Infrastrutture Wireless Italiane ("INWIT"),

which were offset by the impacts related to:

- the acquisition in Brazil of the mobile business of the Oi Group for a total of 1,874 million euros;
- the payment of telecommunications frequencies and related commitments in Italy and Brazil for 2,242 million euros;
- the accounting impact of the renegotiation of IFRS 16 lease contracts, 827 million euros net of IFRS 16 lease contracts considered in the Oi acquisition value (557 million euros).

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

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
<b>Net financial debt carrying amount</b>	<b>25,370</b>	<b>22,416</b>	<b>2,954</b>
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(6)	(229)	223
<b>Adjusted Net Financial Debt</b>	<b>25,364</b>	<b>22,187</b>	<b>3,177</b>
Leases	(5,349)	(4,614)	(735)
<b>Adjusted Net Financial Debt - After Lease</b>	<b>20,015</b>	<b>17,573</b>	<b>2,442</b>

**Net financial debt carrying amount** amounted to 25,370 million euros at December 31, 2022, an increase of 2,954 million euros compared to December 31, 2021 (22,416 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 223 million euros, essentially following the greater impact of the rise in Euro interest rates with respect to USD rates, which effectively revalue the cash flow hedges. This change is adjusted by the booked Net Financial Debt with no monetary effect.

**Adjusted Net Financial Debt – After Lease** (net of lease contracts), which is a parameter adopted by main European peers, was equal to 20,015 million euros at December 31, 2022, up by 2,442 million euros compared to December 31, 2021 (17,573 million euros).

The TIM Group's available **liquidity margin** amounted to 9,001 million euros, equal to the sum of:

- “Cash and cash equivalents” and “Current securities other than investments” for a total of 5,001 million euros (9,153 million euros at December 31, 2021), also including 494 million euros in repurchase agreements expiring by April 2023;
- Sustainability-linked Revolving Credit Facility amounting to 4,000 million euros, totally available.

This margin is sufficient to cover Group financial liabilities (current and otherwise) falling due over the next 18 months.

It is also recalled that on January 20, 2023, TIM successfully completed issue of a 5-year Bond for an amount of 850 million euros, coupon 6.875%.

## Results of the Business Units

The economic-financial information reported on February 14, 2023 is confirmed; reference is made to the communication given on that date for more in-depth analysis.

### Domestic

(million euros)	2022	2021	Changes (a-h)		
	(a)	(b)	absolute	%	organic % excluding non- recurring
Revenues	11,858	12,505	(647)	(5.2)	(5.5)
EBITDA	3,519	3,730	(211)	(5.7)	(14.3)
% of Revenues	29.7	29.8		(0.1) pp	(3.6) pp
EBIT	24	(3,990)	4,014	—	(46.5)
% of Revenues	0.2	(31.9)		32.1 pp	(4.4) pp
Headcount at year end (number) (*)	40,984	42,591	(1,607)	(3.8)	

(\*) Includes 15 agency contract workers at December 31, 2022 (16 at December 31, 2021).

### Brazil

	(million euros)		(million Brazilian reais)		Changes		
	2022	2021	2022	2021	absolute	%	% organic excluding non- recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	3,963	2,840	21,531	18,058	3,473	19.2	19.2
EBITDA	1,839	1,362	9,993	8,661	1,332	15.4	16.4
% of Revenues	46.4	48.0	46.4	48.0		(1.6) pp	(1.2) pp
EBIT	593	473	3,236	3,010	226	7.5	10.4
% of Revenues	15.0	16.7	15.0	16.7		(1.7) pp	(1.3) pp
Headcount at year end (number)			9,395	9,325	70	0.8	

The average exchange rates used for the translation into euro (expressed in terms of units of Real per 1 euro) were 5.43993 for 2022 and 6.35936 for 2021.

### TIM S.p.A. results

2022 revenues came to 12,098 million euros (12,397 million euros in 2021), with a decrease of 299 million euros or -2.4%.

**Revenues from stand-alone services** amounted to 10,387 million euros (-264 million euros compared to 2021, -2.5%) and reflect the impacts of the competition on the customer base and a reduction in ARPU levels. In particular, both revenues from Mobile market stand-alone services (-68 million euros on the previous year, -2.2%), and revenues from the Fixed market stand-alone services (-196 million euros compared to the previous year, -2.6%) dropped, due to the worsening of the Retail segment.

**Revenues from Handsets and Bundles & Handsets**, including the change in work in progress, amounted to 1,711 million euros in 2022, down 35 million euros compared to 2021, mainly due to a drop in Mobile market sales revenues.

2022 **EBITDA** was 2,086 million euros (2,637 million euros in 2021), with an EBITDA margin of 17.2%, down 4.1 percentage points on 2021 (21.3%).

**Organic EBITDA - net of the non-recurring items** - amounted to 2,706 million euros; the EBITDA margin was 22.4% (30.4% in 2021) and records a reduction of 1,065 million euros compared to 2021. In 2022, TIM S.p.A. recorded a total of 620 million euros in net non-recurring charges (1,134 million euros in 2021), of which 537

million euros in employee benefits expenses mainly relating to corporate reorganization/restructuring processes related to outgoing managerial and non-managerial staff, also envisaged in accordance with the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and the former Art. 41, subsection 5bis, of Italian Legislative Decree no. 148/2015, as per agreements signed by the Company during the year with the trade unions. Also note a provision of 41 million euros for onerous contracts relating to a multi-year agreement concluded in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022.

**EBIT** in 2022 amounted to a negative 649 million euros (negative for 4,522 million euros in 2021), with a negative EBIT margin of -5.4% (negative for -36.5% in 2021). EBIT in 2022 reflected the negative impact of non-recurring net charges totaling 620 million euros (5,254 million euros in 2021), as explained above.

**Organic EBIT, net of the non-recurring items**, amounted to a negative 29 million euros (732 million euros in 2021), with an EBIT margin of 0.2% (5.9% in 2021).

In 2022, **income tax** expense came to 1,843 million euros (3,718 million euros in 2021); tax expenses mainly relate to the specified revocation of the realignment of goodwill, resolved by TIM's Board of Directors on November 9, 2022, as permitted by the government Budget Law for financial year 2022 and as detailed in the Provision of the Revenue Agency Manager, published on September 29, 2022.

The **profit (loss) for the year** 2022 was negative in the amount of 3,077 million euros (negative in the amount of 8,314 million euros in 2021) and was negatively affected by non-recurring net charges of 2,281 million euros (8,761 million euros in 2021).

## After Lease indicators

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. In particular, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance measures:

### EBITDA AFTER LEASE - TIM GROUP

(million euros)	2022	2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>6,029</b>	<b>6,459</b>	<b>(430)</b>	<b>(6.7)</b>
Lease payments	(1,034)	(871)	(163)	(18.7)
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>4,995</b>	<b>5,588</b>	<b>(593)</b>	<b>(10.6)</b>

### EBITDA AFTER LEASE - DOMESTIC

(million euros)	2022	2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>4,174</b>	<b>4,872</b>	<b>(698)</b>	<b>(14.3)</b>
Lease payments	(512)	(509)	(3)	(0.6)
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>3,662</b>	<b>4,363</b>	<b>(701)</b>	<b>(16.1)</b>

### EBITDA AFTER LEASE - BRAZIL

(million euros)	2022	2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>1,863</b>	<b>1,599</b>	<b>264</b>	<b>16.4</b>
Lease payments	(522)	(362)	(160)	(44.2)
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>1,341</b>	<b>1,237</b>	<b>104</b>	<b>8.5</b>

## ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(million euros)	12/31/2022	12/31/2021	Change
<b>Adjusted Net Financial Debt</b>	<b>25,364</b>	<b>22,187</b>	<b>3,177</b>
Leases	(5,349)	(4,614)	(735)
<b>Adjusted Net Financial Debt - After Lease</b>	<b>20,015</b>	<b>17,573</b>	<b>2,442</b>

## EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

(million euros)	2022	2021	Change
<b>Equity Free Cash Flow</b>	<b>624</b>	<b>632</b>	<b>(8)</b>
Change in lease contracts (principal share)	(650)	(570)	(80)
<b>Equity Free Cash Flow After Lease</b>	<b>(26)</b>	<b>62</b>	<b>(88)</b>



#### EBITDA ADJUSTED AFTER LEASE TIM S.p.A.

(million euros)	2022	2021	Changes	
			absolute	%
ORGANIC EBITDA - excluding Non-recurring items	2,706	3,771	(1,065)	(28.2)
Lease payments	(495)	(503)	8	(1.6)
EBITDA adjusted After Lease (EBITDA-AL)	2,211	3,268	(1,057)	(32.3)

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

(million euros)	12/31/2022	12/31/2021	Change
Adjusted Net Financial Debt	21,709	20,612	1,097
Leases	(3,006)	(3,127)	121
Adjusted Net Financial Debt - After Lease	18,703	17,485	1,218

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

(million euros)	2022	2021	Change
EQUITY FREE CASH FLOW	(262)	549	(811)
Change in lease contracts (principal share)	(381)	(388)	7
EQUITY FREE CASH FLOW AFTER LEASE	(643)	161	(804)

## EVENTS SUBSEQUENT TO DECEMBER 31, 2022

### TIM successfully placed an 850 million euro bond with 5-year maturity

See the press release issued on January 20, 2023.

### TIM: non-binding offers for the purchase of Netco

Starting from 1 February, TIM's Board of Directors received non-binding offers from KKR and a consortium formed by CdP Equity (CDPE) and Macquarie Infrastructure. For further details, see the press releases published on the company's website in the dedicated section.

## BUSINESS OUTLOOK FOR THE YEAR 2023

As already specified last February 14, the 2023-2025 Business Plan follows the transformation process started in 2022. Despite a macroeconomic context that has changed considerably compared with last year, the new plan continues on from the previous one and with the project presented at the Capital Market Day (July 7, 2022). More specifically, thanks to the 2022 results that exceed expectations, the plan envisages a further acceleration at a Group level.

The Plan strategy results in the definition of the following Group targets for 2023:

- Group revenues from services expected to grow low single digit with the domestic business essentially stable and high single digit growth in Brazil;
- **Organic** Group EBITDA expected to grow mid single digit with the domestic business stable/low single digit growth and Brazil growing low double digit;
- **Organic** Group EBITDA After Lease expected to grow low to mid single digit;
- Group capex expected for approximately 4.0 billion euros, of which 3.1 billion euros in the domestic sector.

The above targets refer to the plan based on the current organizational and business model. The optimized corporate configuration envisages the following strategies:

- **TIM Consumer:** initiatives continue to implement the premium positioning strategy 'Value vs. Volume', with the aim of standing out from the competition. The gradual repricing of the customer base will also continue, along with the introduction of inflation adjustment mechanisms.
- **TIM Enterprise:** Growth above the reference market is expected for 2023-2025, with a CAGR revenue of 6% over the plan period, thanks to the increased standardization and industrialization of offers and the consolidation of a bundled offer for the Public Administration.
- **TIM Brasil:** The company continues to focus on a value strategy and will enjoy additional growth impetus from the integration of Oi's assets, continuing on its path towards a 'Next Gen Telco'.
- **NetCo:** TIM's strategic priorities are to push strongly for the migration of lines to FTTH technology, associated with an ambitious plan to cover the fixed and mobile networks. By 2025, the Group aims to reach 48% of the country's property units with FTTH. In the mobile segment, the priority is to maximize 5G coverage, which by 2025 will reach 90% of the population.



*The Executive responsible for preparing the corporate financial reports, Adrian Calaza Noia, 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.*