

IMPORTANT NOTICE

[REDACTED]

EXCHANGE OFFER MEMORANDUM DATED April 18, 2024



[REDACTED]

NOTICE TO INVESTORS

[REDACTED]

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TERMS OF THE USD EXCHANGE OFFERS

[REDACTED]

ACCEPTANCE OF USD ORIGINAL NOTES; ACCRUAL OF INTEREST

[REDACTED]

PROCEDURES FOR TENDERING USD ORIGINAL NOTES

[REDACTED]

WITHDRAWAL OF TENDERS

[REDACTED]

CONDITIONS OF THE USD EXCHANGE OFFERS

[REDACTED]

SUMMARY OF THE TERMS OF THE USD EXCHANGE OFFERS

[REDACTED]

CERTAIN DEFINED TERMS

For explanations or definitions of certain technical terms relating to the TIM Group's and NetCo's businesses as used herein, please see "Appendix B (Glossary)" included elsewhere in this Exchange Offer Memorandum.

Capitalized terms which are used but not defined in any particular section of this Exchange Offer Memorandum will have the meaning attributed to them in the sections entitled "Description of the USD New Notes" and "Description of the USD Optics Notes" or any other section of this Exchange Offer Memorandum.

Unless otherwise specified or the context requires otherwise, in this Exchange Offer Memorandum:

Unless otherwise specified or the context requires otherwise, in this Exchange Offer Memorandum:

"Acquisition"	means the acquisition by Optics of the entire stake of TIM in NetCo following the contribution of the NetCo Business to FiberCop;
"Acquisition Closing Date"	means the date on which the Acquisition is consummated which will coincide with the date of the Acquisition Exchange;
"Fastweb"	means Fastweb S.p.A.;
"FiberCop"	means FiberCop S.p.A.;
"Italian Golden Power Authority"	means the Presidency of the Italian Council of Ministries (<i>Presidenza del Consiglio dei Ministri</i>);
"Italian Golden Power Legislation"	means Italian Law Decree No. 21 of March 15, 2012, as converted into law by Italian Law No. 56 of May 11, 2012, further amended by, among others, Italian Law Decree No. 105 of September 21, 2019, Law Decree No. 23 of April 8, 2020 and Law Decree No. 21 of March 21, 2022, and implemented through specific decrees, including Italian Presidential Decrees No. 35 of February 19, 2014 and No. 86 of March 25, 2014, and Italian Prime Minister Decrees No. 108 of June 6, 2014, No. 179 of December 18, 2020, No. 180 of December 23, 2020 and No. 133 of August 1, 2022;
"Longstop Date"	means October 15, 2024 or any further date agreed prior to the then current longstop date between TIM and Optics pursuant to the Transaction Agreement and announced promptly thereafter;
"NetCo"	means FiberCop following the contribution of the NetCo Business to FiberCop;
"NetCo Business"	means certain personnel, assets, rights, liabilities and agreements relating to the network assets and laying infrastructure currently held by TIM which, at closing of the Acquisition, will be contributed as a going concern (<i>ramo d'azienda</i>) to FiberCop;
"NetCo Guarantee"	means the guarantee to be provided, subject to the operation of certain agreed security principles, certain material limitations pursuant to applicable laws, by NetCo to the Optics Notes within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred;
"Optics"	means Optics Bidco S.p.A.;
"Optics Financing Arrangements"	means, collectively, the Senior Bridge Facility Agreement and the Senior Facilities Agreement;

“Optics Group”	means Optics and its subsidiaries;
“Optics HoldCo”	Optics Holdco S.r.l.;
“Transactions”	refers to the Acquisition, the EUR Initial Exchange, the USD Initial Exchange, the EUR Acquisition Exchange, the USD Acquisition Exchange, the entry into the Master Services Agreement (as defined herein), the entry into the Transitional Services Agreement (as defined herein), and any ancillary transactions, transfers, agreements or undertakings necessary, whether by contract or operation of law, to effect these transactions;
“Transaction Agreement”	means the share purchase agreement dated November 6, 2023, among <i>inter alios</i> , TIM as seller and Optics as purchaser in respect of the sale of TIM’s entire stake in NetCo, after the contribution of the NetCo Business to FiberCop (as amended from time to time);

IMPORTANT DATES

[REDACTED]

**IMPORTANT ITALIAN SUBSTITUTE TAX REQUIREMENTS AND INFORMATION IN RESPECT OF
THE TAX CERTIFICATION PROCEDURES IN RESPECT OF THE RULE 144A USD OPTICS NOTES**

[REDACTED]

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Exchange Offer Memorandum regarding the TIM Group's and the Optics Group's business financial condition, results of operations and certain of the TIM Group's plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects are forward-looking statements.

These statements include, without limitation, those concerning: the TIM Group's and Optics Group's strategy and the TIM Group's and Optics Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new services; the TIM Group's and Optics Group's possible or assumed future results of operations; research and development, capital expenditure and investment plans; adequacy of capital; and financing plans. The words "aim," "may," "will," "expect," "forecast," "anticipate," "believe," "future," "continue," "help," "estimate," "plan," "potential," "predict," "project," "seek," "intend," "should," "could," "would," "shall" or the negative or other variations thereof as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements.

In addition, this includes forward-looking statements relating to the TIM Group's and Optics Group's potential exposure to various types of market risks, such as foreign exchange rate risk, interest rate risks and other risks related to financial assets and liabilities.

These forward-looking statements have been based on the TIM Group's management's current view with respect to future events and financial performance. These views reflect the best judgment of the TIM Group's management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in such forward-looking statements and from past results, performance or achievements. Although the TIM Group's management believes that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-thinking statements. These factors include, but are not limited to the following:

- requirements of the TIM Group's and/or NetCo's heavily regulated industries, changes in the regulatory environment as well failure to comply with such changes;
- the TIM Group's and/or NetCo's inability to deliver the expected regulatory and business benefits of the Transactions;
- the TIM Group's failure to successfully implement its strategic objectives and factors beyond its control which may prevent it from successfully implementing its strategy;
- complexities in relation to the separation of NetCo from the TIM Group, including unexpected uncertainties and costs;
- deterioration of the relationship with, or in the financial condition of, NetCo for the TIM Group and deterioration of the relationship with, or in the financial condition of, the TIM Group for NetCo;
- challenging market conditions for the TIM Group and NetCo resulting from competition;
- the TIM Group's customer churn or threat of customer churn;
- credit risk with respect to the TIM Group's customers;
- forward-looking nature of the assumptions and estimates used in by the TIM Group and/or NetCo in assessing target components, steps and objectives;
- the TIM Group's difficulties responding to new telecommunications technologies;

- the TIM Group's restrictions on customer access to mobile phone financing;
- the TIM Group's increasing data security restrictions;
- the TIM Group's reliance on third parties
- TIM Group's outsourcing risk;
- enhanced competition from changes in technologies and competitive offerings;
- the TIM Group's ability to successfully implement its internet, 4.5G/5G Next Generation Mobile Networks and ICT, ultrabroadband access network strategies;
- the TIM Group's and NetCo's ability to successfully upgrade their respective network;
- the TIM Group's ability to generate positive returns from capital expenditures;
- the TIM Group's and NetCo's ability to perform in case of unpredictable increase of traffic;
- risks related system and network failures;
- cybersecurity risks;
- risks related potential future strategic transactions, such as acquisitions, investments or dispositions, and the integration of such entities;
- goodwill impairment in relation to acquired businesses;
- the TIM Group's and NetCo's potential intellectual property rights litigation risks;
- complexities relating to the TIM Group's governance structure;
- the TIM Group's and NetCo's ability to successfully meet environmental, social and governance related requirements;
- the TIM Group's and NetCo's ability to close the digital divide;
- changes in the TIM Group's directorships and/or senior management;
- the TIM Group's and NetCo's ability to recruit, retain and engage skilled employees;
- the TIM Group's and NetCo's exposure to a variety of macroeconomic conditions;
- potential exchange rate fluctuations and interest rate risk;
- global economic conditions and political events;
- potential slowdowns in economic growth of Italy;
- the impact of inflations pressure and rising input and borrowing costs on Italy's employment rates;
- the impact of the COVID-19 pandemic or other unexpected and uncertain events;
- the impact of consolidation in the Brazilian telecommunication market for the TIM Group;
- the impact of the Italian Golden Power Authority exercising its significant power over the TIM Group and/or NetCo;

- changing requirements of government authorizations to carry out certain activities;
- the TIM Group's and NetCo's ability to comply with data protection laws;
- changing EU regulation of the levels of roaming charges for the TIM Group;
- actual or perceived health risks or other problems relating to mobile handsets or transmission masts for the TIM Group;
- potential fraud risks, and adequacy of our organizational policies and procedures to prevent frauds;
- risks related to the TIM Group's and NetCo's compliance with Italian Legislative Decree 231/2001;
- the TIM Group's and NetCo's risks related actual and/or potential litigations;
- the TIM Group's ability to protect its image, reputation and brand;
- the TIM Group's potential loss caused by its customers by use of Internet;
- the TIM Group's and NetCo's potential risks of labor disputes;
- the TIM Group's and NetCo's potential risks of claims and penalties in connection with health and safety of their respective employees or of third parties;
- NetCo's requirements to comply with cost-orientation obligations;
- NetCo's ability to secure sufficient liquidity and/or access to financing to fund its capital expenditures and/or generate expected returns;
- NetCo's ability to develop, maintain, repair, upgrade, protect and replace its fixed-line network;
- NetCo's ability to successfully implement its ultrabroadband fixed-line network strategy and objectives;
- deterioration in the financial conditions of NetCo's key customers for NetCo;
- NetCo's lack of history as an operating and independent company;
- complexities in relation to NetCo's ability to achieve a fully operational regime;
- NetCo's reliance on certain suppliers to provide services to its direct customers and to support its operations;
- NetCo's unexpected compliance issues and/or liabilities not known by Optics or greater than anticipated;
- uninsured losses in excess of NetCo's insurance coverage and unanticipated changes in NetCo's insurance costs;
- risks related to shareholders deadlock at Optics HoldCo;
- reliability of certain information provided by Optics;
- NetCo's inability to implement pass-through mechanisms;
- NetCo's ability to comply with anti-competition laws and regulations;
- risks related to changes in NetCo's strategy and estimates from its future controlling shareholder,
- risks related to the assumptions, estimates and reliability of the pro forma financial information contained in this Exchange Offer Memorandum;

- risks relating to the Transactions;
- risks relating to the Exchange Offers;
- risks relating to non-exchanging holders of the Original Notes; and
- risks relating to the New Notes and the Optics Notes.

Prospective investors are cautioned not to place undue reliance on these forward-looking statements. Neither the Issuer nor the TIM Group nor Optics Group undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or otherwise. Prospective purchasers are also urged carefully to review and consider the various disclosures made by the Issuer and the TIM Group in this Exchange Offer Memorandum which attempt to advise interested parties of the factors that affect the Issuer, the TIM Group and their business, including the disclosures made under “*Risk Factors*,” “*Business of the TIM Group*” and “*Business of NetCo*.”

All subsequent written or oral forward-looking statements attributable to the Issuer, the TIM Group, the Optics Group or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Exchange Offer Memorandum. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

MARKET AND INDUSTRY DATA

In this Exchange Offer Memorandum, the Issuer relies on and refers to information regarding its business and the markets in which it operates and competes. The Issuer has made statements in this Exchange Offer Memorandum regarding the economy, the telecommunications industry, the TIM Group's and the Optics Group's position in the industry, their market share and the market shares of various industry participants based on internal estimates, its experience, its own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors. For the purposes of this Exchange Offer Memorandum, certain market and industry data have been calculated without regard to additional subdivisions or segmentation of the relevant markets or industries.

Such market and industry data and certain industry forward-looking statements and forecasts are derived from various industry and other independent sources, where available, including from internal surveys, market research, governmental reports and other publicly available information and third-party consultants. In particular, certain information has been derived from certain aggregated market information available to the TIM Group.

Unless otherwise indicated, statements regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which it operates are based on market data, statistical information, sector reports and third-party studies as well as on the TIM Group's estimates.

The TIM Group believes that information in this Exchange Offer Memorandum that has been sourced from third parties has been accurately reproduced and, as far as it is aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third-party information has not been independently verified, and neither the TIM Group nor the Dealer Managers make any representation or warranty as to the accuracy or completeness of such information set forth in this Exchange Offer Memorandum. Market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology may be forward-looking and speculative. The TIM Group has not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources on which the TIM Group's estimates are based. The TIM Group therefore assumes no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Exchange Offer Memorandum or for the accuracy of third-party data on which its estimates are based. This Exchange Offer Memorandum also contains estimates of market data and information derived from such data that cannot be obtained from publications by independent sources.

In addition, certain information in this Exchange Offer Memorandum for which no third-party source is given, regarding the TIM Group and NetCo's market positions relative to their competitors in the telecommunication industry, is not based on published statistical data or information obtained from independent third parties. Such information and statements particularly reflect the TIM Group's best estimates based upon information obtained from trade and business organizations and associations and other contacts within the market in which the TIM Group and/or NetCo compete, as well as information published by the TIM Group's competitors. As some of the foregoing information was compiled or provided by the TIM Group's management or advisers and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third-party sources.

The TIM Group believes that its estimates of market data and the information it has derived from such data helps investors to better understand the industry in which the TIM Group and/or NetCo operate and their positions within it. The TIM Group's estimates have not been verified externally. While the TIM Group assumes that its market observations are reliable, there can be no assurance as to the accuracy of the TIM Group's estimates and their information. They may differ from the TIM Group's competitors' estimates or other independent sources. While the TIM Group is not aware of any misstatements regarding the market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under "*Risk Factors*" in this Exchange Offer Memorandum.

ROUNDING

Certain figures and percentages included in this Exchange Offer Memorandum have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. In addition, as a result of such rounding, the totals of certain financial information may differ from the information that would have appeared in such totals using the unrounded financial information.

TRADEMARKS AND TRADE NAMES

The TIM Group owns or has rights to certain trademarks or trade names that they use in conjunction with the operation of their businesses. The TIM Group asserts, to the fullest extent under applicable law, its rights to its trademarks and trade names. Each trademark, trade name or service mark of any other company appearing in this Exchange Offer Memorandum is the property of its respective holder.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Audited Financial Information

TIM Audited Consolidated Financial Statements

This Exchange Offer Memorandum contains the following financial information of the TIM Group:

- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2023, including comparative figures as of and for the year ended December 31, 2022 (the “**2023 TIM Audited Consolidated Financial Statements**”) audited by the TIM Group’s independent auditor, EY S.p.A. as set forth in the English translation of its audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS;
- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2022, including comparative figures as of and for the year ended December 31, 2021 (the “**2022 TIM Audited Consolidated Financial Statements**”) audited by the TIM Group’s independent auditor, EY S.p.A. as set forth in the English translation of audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS;
- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2021 (the “**2021 TIM Audited Consolidated Financial Statements**”) and, together with the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements, the “**TIM Audited Consolidated Financial Statements**”) audited by the TIM Group’s independent auditor, EY S.p.A. as set forth in the English translation of audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS

The TIM Group’s financial year ends on December 31, and references in this Exchange Offer Memorandum to any specific year are to the twelve-month period ended on December 31, of such year. The TIM Group’s independent auditors, EY S.p.A., have been appointed for the nine-year period spanning 2019-2027.

NetCo Audited Combined Carve-out Financial Information

This Exchange Offer Memorandum contains an English translation of the audited consolidated special purpose income statements and statement of financial position and the accompanying notes thereto of NetCo (which for the avoidance of doubt, means FiberCop following the contribution of the NetCo Business to FiberCop) as of and for the year ended December 31, 2023, including comparative audited figures of the income statement for the year ended December 31, 2022 (the “**NetCo Audited Combined Carve-out Financial Information**”) audited by the TIM Group’s independent auditor, EY S.p.A. as set forth in the English translation of its audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared using the same accounting standards applied in preparing the 2023 TIM Audited Consolidated Financial Statements. The NetCo Audited Combined Carve-out Financial Information does not include a consolidated statement of cash flows, a consolidated statement of changes in net invested capital, or a consolidated statement of comprehensive income, as TIM’s management believes that this information would not provide any useful information to investors.

The NetCo Audited Combined Carve-out Financial Information has not been adjusted to reflect the impact of any changes to the income statements and statement of financial position that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, Optics will account for the Acquisition using the acquisition method of accounting under IFRS and will apply purchase accounting adjustments in connection with the Acquisition to the financial statements for accounting periods subsequent to the Acquisition Closing Date. The application of purchase accounting could result in different carrying values for existing assets and liabilities and the TIM Group may add additional assets to its statement of financial position, which may include intangible assets, such as goodwill, brand name, customer relationships, leasehold rights and software. NetCo may also recognize additional amortization and depreciation expenses related to the additional assets recognized. Due to these and other

potential adjustments, NetCo's future financial statements could be materially different once the adjustments are made and may not be comparable to the financial statements included in this Exchange Offer Memorandum.

For more information, see "*Consolidated Financial Statements*."

Pro Forma Financial Information

This Exchange Offer Memorandum contains the following pro forma financial information:

TIM Unaudited Consolidated Pro Forma Financial Information

The pro forma consolidated income statements and statement of financial position of the TIM Group as of and for the year ended December 31, 2023, are derived from the 2023 TIM Audited Consolidated Financial Statements (the "***TIM Unaudited Consolidated Pro Forma Financial Information***"). The pro forma consolidated financial information of the TIM Group gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of the TIM Group to reflect the exclusion of the NetCo assets, FiberCop, Telenergia, an assumed debt transfer as part of the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount), the unwinding of the relevant hedge contracts, an assumed cash-in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, the repayment of the FiberCop Intercompany Loan and certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

The cash-in from the Acquisition does not reflect the payment by the TIM Group of any early bird premium or participation premium of, in each case, \$2.50 per \$1,000 or €2.50 per €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange).

The pro forma consolidated income statement for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023 and the pro forma consolidated statement of financial position as of December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on December 31, 2023.

The notes to the TIM Unaudited Consolidated Pro Forma Financial Information include an explanation of their basis of preparation.

The TIM Unaudited Consolidated Pro Forma Financial Information presented in this Exchange Offer Memorandum is based on available information and certain current market-based assumptions that the TIM Group's management believes are reasonable. The TIM Unaudited Consolidated Pro Forma Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the pro forma adjustments were made had occurred on the dates assumed, nor does it purport to project the TIM Group's results of operations for any future period or financial condition at any future date. The TIM Group's future operating results may differ materially from the pro forma amounts set out in this Exchange Offer Memorandum due to various factors, including changes in operating results.

The TIM Unaudited Consolidated Pro Forma Financial Information set forth below is presented, unless otherwise specified, in accordance with the accounting principles used in the preparation of the TIM Audited Consolidated Financial Statements, which have been prepared in accordance with IFRS. The TIM Unaudited Consolidated Pro Forma Financial Information should be read together with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

The TIM Unaudited Consolidated Pro Forma Financial Information set forth elsewhere in this Exchange Offer Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive, U.S. GAAP or any other generally accepted accounting standards.

Neither the adjustments nor the resulting TIM Unaudited Consolidated Pro Forma Financial Information have been audited or reviewed in accordance with International Standards on Auditing (Italy).

NetCo Unaudited Combined Pro Forma Carve-out Financial Information

The pro forma combined income statements and statement of financial position of NetCo as of and for the year ended December 31, 2023 and the *pro forma* combined income statement for the year ended December 31, 2022 are derived from the NetCo Audited Combined Carve-out Financial Information (the “***NetCo Unaudited Combined Pro Forma Carve-out Financial Information***”). The *pro forma* carve-out financial information of NetCo gives effect to the Transactions by applying *pro forma* adjustments to the consolidated carve-out financial information of the NetCo to reflect certain adjustments as of and for the year ended December 31, 2023, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect the financial and economic effects of the Exchange Offers, the financial position or results of Optics (including the debt incurred by Optics under the Senior Facilities Agreement, the Bridge Facility Agreement (if applicable) and the Acquisition Exchange (if any) or any pro forma interest expense related thereto) or the expenses at the Acquisition Closing Date and the costs that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business.

The pro forma combined income statement for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023, the pro forma combined income statement for the year December 31, 2022 was prepared to give effect to the Transactions as if they had been completed on January 1, 2022, and the pro forma combined statement of financial position as of December 31, 2023 was prepared to give effect to the Transactions as if it had been completed on December 31, 2023. For more information, see “*NetCo Unaudited Combined Pro Forma Carve-out Financial Information*.”

The notes to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information include an explanation of the basis of preparation.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information presented in this Exchange Offer Memorandum is based on available information and certain current market-based assumptions that the TIM Group’s management believes are reasonable. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor does it purport to project NetCo’s results of operations for any future period or financial condition at any future date. The NetCo’s future operating results may differ materially from the *pro forma* amounts set out in this Exchange Offer Memorandum due to various factors, including changes in operating results.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information set forth below is presented, unless otherwise specified, in accordance with the accounting principles used in the preparation of the NetCo Audited Carve-out Financial Information. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read together with the NetCo Audited Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information set forth elsewhere in this Exchange Offer Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive, U.S. GAAP or any other generally accepted accounting standards. Neither the adjustments nor the resulting NetCo Unaudited Combined Pro Forma Carve-out Financial Information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or IFRS.

Factors Impacting Comparability

In the year ended December 31, 2023, the TIM Group applied the accounting policies on a basis consistent with those of the previous years, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2023. For further information on the new standards and interpretations endorsed by the EU applicable to the years ended December 31, 2023, 2022 and 2021, see Note 2 to the 2023 TIM Audited Consolidated Financial Statements and 2022 TIM Audited Consolidated Financial Statements.

Presentation of Non-IFRS Measures

In this Exchange Offer Memorandum, the TIM Group presents certain financial measures and ratios that are not recognized by IFRS or any other generally accepted accounting principles. These measures as referred to as “non-IFRS” or “alternative performance measures” (“**non-IFRS**” or “**Alternative Performance Measures**”) as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that may not be calculated in accordance with IFRS.

The TIM Group believes that these non-IFRS measures are important supplementary measures of its underlying performance and liquidity (as a whole and at a business unit level) and that they are widely used by investors comparing performance between companies. It also believes that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures of performance and liquidity and are intended to assist investors in their analysis of the TIM Group’s results of operations, profitability and ability to service its debt.

The non-IFRS measures presented in this Exchange Offer Memorandum may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing such measures to similar measures used by other companies. The information presented by each non-IFRS measure is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements may require the TIM Group to make changes to the presentation of this information.

Further, these non-IFRS measures are not measurements of performance under IFRS and investors should not consider them an alternative to pre-tax income or operating income determined in accordance with IFRS, or, as the case may be, to cash flows from/(used in) operating activities, cash requirements used in investing activities or cash flow from/(used in) financing activities. In particular, investors should not consider EBIT and EBITDA as an alternative to: (i) operating income or income for the period (as determined in accordance with IFRS) as a measure of operating performance; (ii) cash flows provided by operating, investing and financing activities as a measure of the ability to meet cash needs; or (iii) any other measures of performance under generally accepted accounting principles. EBIT and EBITDA and other non-IFRS measures have limitations as an analytical tool, and investors should not consider them in isolation, or as a substitute for an analysis of the TIM Group’s results as reported under IFRS. Additionally, these non-IFRS measures should not be considered as an alternative to operating income or operating margin as a measure of operating performance. Further, these non-IFRS measures should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. Furthermore, the non-IFRS measures as used in some of the sections of this Exchange Offer Memorandum, may not be calculated in the same manner as similar measures are calculated pursuant to the relevant trust deed/indenture governing the Notes or for the purposes of any of TIM Group’s other indebtedness.

Presentation of Non-IFRS Measures of the TIM Group

In this Exchange Offer Memorandum, the following Alternative Performance Measures are presented for the TIM Group on an historical basis without giving effect to the Transactions:

- **EBIT/EBITDA:** These measures are used by the TIM Group as a financial target and are calculated as follows:

Profit (loss) before tax from continuing operations

+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) 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. The TIM Group presents a reconciliation between the ‘accounting’ or ‘reported’ figures and the ‘organic excluding the non-recurring component’ figures.
- **EBITDA margin and EBIT margin:** The TIM Group believes that these margins represent useful indicator of the ability of the TIM Group (as a whole and at business unit level) to generate profits from its revenues. EBITDA margin and EBIT margin are a measure of the percentage of revenues that are converted into EBITDA and EBIT, respectively.
- **Net Financial Debt/ Net Financial Debt carrying amount:** The TIM Group believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is calculated by deducting Cash and Cash Equivalents and other Financial Assets from Gross Financial Debt. Additionally, 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 titled “**Adjusted Net Financial Debt**,” which it believes 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, 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.

Adjusted 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 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. In particular, the indicator highlights the change in Adjusted Net Financial Debt without considering the impacts of payment of dividends, changes in equity, acquisitions/disposals of equity

investments, outlay for the purchase of licenses and frequencies, increases/decreases of finance lease liabilities payable (new lease operations, renewals and/or extensions, cancellations/early extinguishing of leases).

Equity Free Cash Flow is calculated as follows:

	Reduction/(Increase) in Adjusted Net Financial Debt from continuing operations
+/-	Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))
-	Payment of TLC licenses and for the use of frequencies
+/-	Financial impact of acquisitions and/or disposals of investments
-	Dividend payment and Change in Equity
	Equity Free Cash Flow

- **Capital Expenditures (net of spectrum):** This financial measure represents capital expenditures less capital expenditures on an accrual basis on TLC licenses for the use of frequencies.

Alternative Performance Measures After Lease

- **EBITDA After Lease (“EBITDA-AL”):** This is calculated by adjusting EBITDA by the amounts connected with the accounting treatment of the lease contracts.
- **Organic EBITDA After Lease (“Organic EBITDA-AL”):** This is calculated by adjusting the Organic EBITDA, net of the non-recurring items, by the amounts connected with the accounting treatment of the lease contracts.
- **Adjusted Net Financial Debt After Lease (“Adjusted Net Financial Debt-AL”):** This is calculated by excluding from the Adjusted Net Financial Debt the net liabilities related to the accounting treatment of lease contracts. TIM believes that the Adjusted Net Financial Debt-AL represents an indicator of the ability to meet its financial obligations;
- **Equity Free Cash Flow After Lease:** This is 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

The TIM Group believes that this measure is a useful indicator of the ability to generate Free Cash Flow.

- **Operating Free Cash Flow and Operating Free Cash Flow (net of licenses):** These financial measures represent the free cash flow available to repay debt (including leases) and to cover any financial investments and, in the case of Operating Free Cash Flow, payments of licenses and frequencies. The measures are not adjusted for lease payments.

Operating Free Cash Flow and Operating Free Cash Flow (net of licenses) measures are calculated as follows:

	EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets
-	Capital expenditures on an accrual basis
+/-	Change in working capital (changes in inventories, trade receivables and other net receivables, trade payables, payables for mobile telephone licenses/spectrum, changes in operating receivables/payables, change in provisions for employee benefits, and operating provisions and Other changes)
	Operating Free Cash flow
-	Payment of TLC licenses and for the use of frequencies
	Operating Free Cash flow (net of licenses)

For further information on the TIM Group's primary non-IFRS measures, please see "*Presentation of Non-IFRS Measures—Presentation of Non-IFRS Measures of the TIM Group*" and the relevant footnotes thereto.

Presentation of Non-IFRS Measures of the TIM Group, NetCo and Optics on a pro forma basis after giving effect to the Transactions

In this Exchange Offer Memorandum, certain Alternative Performance Measures for the TIM Group, NetCo and Optics, respectively, are presented after giving *pro forma* effect to the Transactions.

In particular, the following non-IFRS measures for the TIM Group are presented after giving effect to the Transactions:

- Organic EBITDA-AL;
- Organic EBITDA-AL Margin;
- Adjusted Net Financial Debt-AL;
- Operating Free Cash Flow;
- Operating Free Cash Flow-AL;
- Ratio of Pro forma Adjusted Net Financial Debt-AL to Organic EBITDA-AL; and
- Ratio of Organic EBITDA-AL to Net finance income/(expenses).

For more information, see "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*."

In particular, the following non-IFRS measures for NetCo are presented on a pro forma basis after giving effect to the Transactions:

- Organic EBITDA-AL;
- Organic EBITDA-AL Margin;
- Adjusted Net Financial Debt-AL;
- Operating Free Cash Flow;
- Operating Free Cash Flow-AL
- Ratio of Pro forma Adjusted Net Financial Debt-AL to Organic EBITDA-AL; and
- Ratio of Organic EBITDA-AL to Net finance income/(expenses).

For more information, see "*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*."

In particular, the following non-IFRS measure for Optics is presented on a pro forma basis after giving effect to the Transactions:

- Adjusted Net Financial Debt-AL *As adjusted for the Transactions*;
- Ratio of Pro forma Adjusted Net Financial Debt-AL *As Adjusted for the Transactions* to Organic EBITDA-AL of NetCo; and
- Ratio of Organic EBITDA-AL of NetCo to Net finance income/(expenses) *As Adjusted for the Transactions*.

The above non-IFRS measures, as well as the data presented in the “As Adjusted” column under “*Capitalization of NetCo and Optics*”, have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition. For more information, see “*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*.”

Key Performance Indicators (KPIs) of the TIM Group

In this Exchange Offer Memorandum, the TIM Group presents certain key operating metrics which it believes clarifies its performance from period to period and facilitates comparison with its peers. These key performance indicators and other non-financial operating data included in this Exchange Offer Memorandum, including subscriber related data like ARPU, churn rate and penetration rate (described below), are derived from management estimates and are not part of the TIM Audited Consolidated Financial Statements or the TIM Group’s accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. The TIM Group’s use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

The key performance indicators used in this Exchange Offer Memorandum are:

- **Average Mobile Revenue Per User (“ARPU”):** ARPU is calculated by dividing the revenue for the applicable period by the average number of recurring customers for such period, divided further by the number of months in the applicable period. The TIM Group’s Management believes that ARPU provides useful information concerning the appeal and usage patterns of the TIM Group’s tariff plans and service offerings and its performance in attracting and retaining high-value subscribers of its services.
- **Churn and churn rate:** Churn refers to the percentage of subscriber disconnections. The TIM Group deems mobile subscribers to have churned when their mobile services with the TIM Group are disconnected (whether resulting from a subscriber decision or a decision by the TIM Group). The TIM Group calculates the churn rate by dividing the number of disconnections of subscribers during a period by the average number of subscribers during the same period. The definition of churn may vary between operators. A churn policy that is more expansive in its determination of when a subscriber is deemed to have churned may result in a reduction of the number reported for total subscribers, an increase in churn rate and potentially higher ARPU. As a result, such data and any related comparisons of the TIM Group to other operators included in this Exchange Offer Memorandum may not accurately reflect the TIM Group’s competitive position and the competitive positions of such other operators.
- **Penetration and penetration rates:** Penetration refers to the measurement, usually as a percentage, of the relevant telecommunications services. As of any date, it represents the number of accesses or active lines of a specific service divided by the number of total households. The TIM Group calculates the penetration rate as a percentage for ultrabroadband (UBB) service adoption, convergent customers (including fixed line and mobile) and media content service adoption.

Key Performance Indicators (KPIs) of NetCo

In this Exchange Offer Memorandum, the TIM Group presents certain key operating metrics which it believes clarifies NetCo’s performance from period to period and facilitates comparison with its peers. These key performance indicators and other non-financial operating data included in this Exchange Offer Memorandum, including FTTH coverage and FTTC coverage, are derived from management estimates and are not part of the NetCo Audited Combined Carve-out Financial Information or NetCo’s accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. NetCo’s use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

Business Segments of the TIM Group

The TIM Group currently operates its business through three business units: the Domestic Business Unit, the Brazil Business Unit and Other Operations. These are operating segments in accordance with IFRS 8 (*Operating segments*). For further information, please refer to Notes 1 and 39 to the 2023 TIM Audited Consolidated Financial Statements, Notes 1 and 39 to the 2022 TIM Audited Consolidated Financial Statements and Notes 1 and 38 to the 2021 TIM Audited Consolidated Financial Statements.

As part of the Delaying Plan, the TIM Group is currently planning the reorganization of its structure through a revised business segmentation, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. The resulting business areas are expected to be TIM Enterprise, TIM Consumer and TIM Brasil, which the TIM Group believes will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. In line with the Delaying Plan, during 2024, once the Transactions are completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8. This will take into account the specific guidance provided by the standard itself (autonomy of operating flows, method of allocating financial resources, management reporting, etc.). See "*Summary—The TIM Group's Strategy*."

NetCo Pro Forma Information

In this Exchange Offer Memorandum, the TIM Group presents revenue breakdown by business area (access services and premium and other services), by service for wholesale access services (FTTH, FTTC, ADSL & Legacy voice), capital expenditures based on cash flows (assurance and maintenance capital expenditures and growth capital expenditures). Although such information derive from the NetCo Unaudited Combined Pro Forma Carve-Out Financial Information, they have not been audited or reviewed by the TIM Group's independent auditors.

Exchange Rates

The TIM Group's consolidated financial results are reported in Euro. Certain financial information contained in this Exchange Offer Memorandum has been translated from BRL into Euro and U.S. dollars to Euro solely for your convenience. The TIM Group do not make any representation that any amount translated herein has been, or could be, converted into Euro at the rates indicated or any other rate.

SUMMARY

This summary highlights selected information contained elsewhere in this Exchange Offer Memorandum. This summary does not contain all of the information that you should consider before tendering in the New Notes and the Optics Notes. Prospective investors should read this entire Exchange Offer Memorandum before making an investment decision. Prospective investors should carefully consider the information set forth under “Risk factors,” “Forward-looking statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group,” “Management’s Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo” and the historical and pro forma financial statements and the notes related to those financial statements appearing elsewhere in this Exchange Offer Memorandum.

The following summary of the TIM Group’s business as well as references to the “TIM Group” are as of and for the year ended December 31, 2023. Therefore, unless explicitly stated otherwise or the context otherwise requires, the following summary of the TIM Group’s business as well as references to the “TIM Group” therein do not reflect the effects and implications of the Transactions. See “Business of the TIM Group” for further information.

Unless explicitly stated otherwise, the following summary of NetCo’s business as well as references to the “TIM Group” therein reflect the effects and implications of the Transactions as if they had already occurred. See “Business of the NetCo” for further information.

Overview of the TIM Group

The TIM Group is one of the leading information and communications technology (“ICT”) providers, operating principally in Italy and Brazil. The TIM Group offers mobile and fixed-line telephony products and services to individuals and families for communication and entertainment and digitalization services to small and medium enterprises through a portfolio which is personalized to their needs. As of December 31, 2023, the TIM Group provided 30.1 million mobile lines (including both “human” SIM and Machine to Machine (“M2M”)) and 8.0 million fixed-line lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

History

The TIM Group, formerly known as Telecom Italia, is a joint-stock company established under Italian law on October 20, 1908.

On July 18, 1997, the predecessor to Telecom Italia was merged with and into Società Finanziaria Telefonica per Azioni (“STET”), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to “Telecom Italia S.p.A.” In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatization of Telecom Italia, selling substantially all of its stake in the predecessor Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

In July 1998, as part of the privatization of Telebrás, the Brazilian state-owned telecommunications monopoly, the Federal Government sold substantially all its shares of the twelve holding companies into which Telebrás had initially been broken up. After a series of corporate reorganizations, mergers, acquisitions and name changes, the majority of share capital is currently held, directly and indirectly, by Telecom Italia through its indirectly wholly owned subsidiary, TIM Brasil Serviços e Participações S.A., formed in 2002 as the holding company of Telecom Italia’s operating companies in Brazil.

On May 21, 1999, Olivetti obtained control of the predecessor Telecom Italia Group through a tender offer where approximately 52.12% of predecessor Telecom Italia Ordinary Shares were tendered to Olivetti.

On August 4, 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to “Telecom Italia S.p.A.”

In 2003, the TIM Group launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer such technology at that time. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry. On June 30, 2005, Telecom Italia Mobile, a leading mobile telecommunications provider in Italy, merged with and into TIM. The acquisition further strengthened the TIM

Group's position in the Italian market, enabling it to offer customers a comprehensive range of telecommunications services.

On November 6, 2023, TIM entered into the Transaction Agreement for the sale of the NetCo Business to Optics. See "*The Transaction*" for further information.

TIM Group Operations

The TIM Group's business comprises three business units: the Domestic Business Unit, which primarily includes its operations in Italy, the Brazil Business Unit and the Other Operations Business Unit, which includes ancillary operations of the TIM Group (including financial operations). See "*TIM Group Business Units*" for further information.

Italy

In Italy, the TIM Group offers full-service solutions (including mobile voice, landline voice and fixed broadband), leveraging its own and third party operators' fixed and mobile infrastructure. As of September 30, 2023, the TIM Group held a leading position in Italy across both the fixed broadband and mobile (total SIM) retail markets, with market shares of approximately 40.2% and approximately 27.9%, respectively by number of lines (Source: AGCOM (Communication market monitoring system No. 4/2023)). As of December 31, 2023, the TIM Group's 4G mobile network covered approximately 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to ten gigabytes per second ("**Gbps**"), fully flexible television packages, including streaming services and a wide range of mobile data packages, with speeds of up to 2 Gbps on 5G networks. In 2022, the TIM Group completed the phase-out of its 3G network in Italy, enabling the TIM Group to focus on its ongoing investments in 4G and 5G technologies, which the TIM Group believes are more energy efficient and higher performing in terms of the quality of service offered to its customers. Additionally, as of December 31, 2023, the TIM Group provided approximately 7.2 million fixed line broadband retail accesses in Italy. Further, as of December 31, 2023, the TIM Group also provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group also holds the 3.6-3.8 GHz spectrum band and believes that it is well positioned to satisfy the market demand for LTE and 5G services. The TIM Group's 5G spectrum rights, acquired at auction in 2018, will expire in 2037.

In Italy, the TIM Group manages 16 data centers in eight cities (within 50,000 sqm of system rooms and approximately 58 MW available IT power) to guarantee the maximum levels of operation, security and energy efficiency as further certified by highest rankings in industry standards and certifications.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated, particularly, in light of the COVID-19 pandemic and the Ukraine-Russia conflict. In particular, the TIM Group routinely establishes initiatives in support and in the wake of worldwide crises. In light of the declaration of the state of emergency of the Italian government, resolved by the Italian Council of Ministers on February 28, 2022, aimed at assuring, through to December 31, 2022, aid and assistance to the Ukrainian population on national territory, the TIM Group, among other operators, voluntarily started major solidarity initiatives in support, in particular, of its Ukrainian customers living in Italy, to allow them to communicate free of charge or at special prices with their family members in Ukraine. With the support of the European Commission, on April 8, 2022, TIM also signed a joint declaration, together with other EU and Ukraine operators to provide affordable or zero-rated roaming and international call services between the EU and Ukraine. The joint declaration seeks to provide a more stable context in which to help the Ukrainian evacuees throughout Europe to stay in contact with friends and family.

Brazil

In Brazil, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products. The TIM Group believes that it is one of the main players and a leader in 5G coverage in the South American communications market, the TIM Group being the only operator in all the Brazilian municipalities. In 2021, the TIM Group completed the phase-out of its 2G network in Brazil. According to ANATEL, as of November 30, 2023, the TIM Group held 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of December

31, 2023, the TIM Group provided 61.2 million mobile lines in Brazil and its mobile network covered areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Móvel S.A. (“Oi”), which completed in 2022, the TIM Group has the capacity to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality in Brazil. As a result of this acquisition, the TIM Group believes that it will have improved scale and new revenue generation opportunities, higher efficiency due to additional spectrum and opportunities to capture value from infrastructure overlap. The TIM Group, with the acquisition of Oi, became the leading player among Brazilian competitors in terms of cities covered, population served and spectrum per client. The TIM Brazilian mobile market share, as of December 31, 2023, was 24%.

TIM Group Operations as a Result of the Implementation of the Delaying Plan

As part of the Delaying Plan, the TIM Group is currently planning the reorganization of its business, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM’s stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delaying Plan, the resulting business is expected to be classified around three business areas: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group’s horizontal structure following the successful completion of the Transactions. For a detailed description of the TIM Group’s planned new business reshaping, please see “—*The TIM Group’s Strategy—Delaying Plan—The new business areas set forth under the Delaying Plan: TIM Enterprise, TIM Consumer and TIM Brasil.*”

Overview of NetCo

NetCo is the largest national independent not vertically integrated open-source fixed-line network provider by revenue in a major European country with €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions. NetCo will be the leading national fixed-line wholesale network in Italy, providing mission-critical digital infrastructure to households and businesses. As of December 31, 2023, NetCo, through its comprehensive suite of services and indirectly via its extensive customer base comprising approximately 550 telecommunications operators, has captured 84% of the access services for the fixed broadband market share, excluding FWA and 76% including FWA, as of September 2023. Additionally, NetCo holds in excess of 60% of premium connectivity market share as of December 31, 2022.

NetCo exhibits attractive infrastructure characteristics, including: (i) a difficult to replicate, operate and maintain network infrastructure with broad national FTTC coverage and an expanding FTTH network with limited overlap outside of Black Areas (as defined below), (ii) strong underlying demand in the Italian fixed broadband market, (iii) longstanding relationships with major operators, including TIM as the anchor tenant, as well as Fastweb, Vodafone, WindTre and SkyWifi, who generate high sales volumes, (iv) a hedge to technology risk, as its existing ADSL and FTTC network provides a natural hedge against the possibility of slower than expected FTTH take-up, and (v) strong profitability and cash flow conversion, with Organic EBITDA-AL for 2022 and 2023, after giving *pro forma* effect to the Transactions, of €1,812 million and €1,948 million, respectively.

NetCo’s extensive network infrastructure in Italy will include 9.0 million kilometers of backbone fiber optics, more than 7 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access as of December 31, 2023. After giving effect to the Transactions, NetCo will also have a strong workforce of approximately 19.9 thousand employees.

Italy represents one of the most attractive markets in Europe, given its low fixed broadband penetration in comparison to other European markets and is the only country to lack a DOCSIS co-axial cable infrastructure among major European countries. See “*NetCo Industry Overview.*” Within Italy, NetCo’s FTTx infrastructure stands at approximately 22 million homes passed as of December 31, 2023, delivering good broadband speeds of 50 to 200 Mbps. Currently, there are 9.2 million homes passed in Italy by FTTH infrastructure representing an attractive opportunity for continued FTTH development. Fiber network overlap is currently limited to Black Areas (as defined below) only and there is a low risk of new entrants in the FTTH market given the challenges of building a scaled infrastructure and driving penetration. NetCo is well positioned to benefit from the secular growth trend of fixed

broadband in Italy, which is expected to reach 88% penetration by 2031 as a result of expected FTTH coverage expansion and progress in digitalization.

A significant portion of NetCo's subscribers comes from operators other than the TIM Group. NetCo's relationships with its direct customer base are also characterized by longevity, with an average customer relationship duration of multiple years and anchor customers that, following the Transactions, will include the TIM Group and other leading operators underpinned by multi-term contracts.

NetCo's fiber roll-out strategy is backed by strong and stable profitability and cash flow generation, with Organic EBITDA-AL Margins of approximately 49% and 47%, for the years ended December 31, 2023 and 2022, respectively, after giving *pro forma* effect to the Transactions. NetCo's FTTC network also provides high stability and long term visibility of revenue.

NetCo's physical infrastructure assets are central to Italy's economy, providing long term cash flows with limited correlation to economic cycles.

Furthermore, NetCo is backed by strong support from KKR, which has a strong track record in investing in infrastructure. NetCo was also subject to a memorandum of understanding (the "MoU") between the Italian Government and KKR signed on August 10, 2023 with respect to the Italian government obtaining a minority stake in NetCo. The MoU has been superseded by the Agreed Form SHA, which reflects the provisions of the MoU (with such amendments as agreed between KKR and the Italian government).

NetCo's Key Strengths

NetCo is expected to benefit from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions:

NetCo owns the largest independent fiber network in Europe and is expected to be the first independent network player in a major European economy.

NetCo is expected to become the main national fixed line wholesale network in Italy and the third largest by revenue in Europe. Its scaled national infrastructure network is expected to become the first largest and independent fiber network (including its FTTH and FTTC networks) in a major European economy, meaning that it will not be vertically integrated or owned by a fixed-line or mobile telecommunication operator and will be able to offer services on an operator-neutral basis and as an independent player. For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo generated €4 billion in revenue. NetCo is expected to be the only operator in Italy with a national infrastructure capable of reaching almost every home passed. With an infrastructure network that is invested across several fixed line technologies (ADSL, FTTC and FTTH), NetCo's FTTx coverage extended to 22 million homes passed and its FTTH coverage of 9.2 million homes passed as of December 31, 2023 represented 58% of its roll-out plan.

NetCo is expected to benefit from 9.0 million kilometers of backbone fiber optics, more than 7.0 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network and NetCo is also expected to benefit from a strong workforce of 19.9 thousand employees.

NetCo's fixed line network in Italy represents mission-critical strategic infrastructure.

NetCo is expected to own a wholly penetrated fixed-line network in Italy, potentially ensuring the widest national coverage through a network that will extend across several technologies, including both copper and fiber, and reaching nearly all Italian households and businesses. Its nationwide network includes 13.7 million copper accesses, providing nearly 100% FTTC coverage and NetCo is committed to increasing its 1.5 million FTTH accesses as of September 30, 2023. The scale and depth of NetCo's infrastructure makes it hard to replicate.

NetCo underpins a mission-critical fiber connectivity market with growing demand for reliability, high speeds and bandwidth from across society, including consumers, businesses, the public sector and carriers. With increasing digitization in all areas of life and business and continuous growth in Internet traffic, the mission-criticality of NetCo's

fixed line network is underlined by the fact that down time in the network could trigger significant financial, social, reputational and security impacts.

NetCo has strong relationships with all major Italian operators and will further benefit from the Master Services Agreement with TIM.

NetCo is expected to have a strong customer base with blue-chip customers, in areas where it competes, and commercial relationships with all the major operators in the areas where it is the sole network provider of ADSL, FTTC and FTTH. In particular, in Black Areas, TIM Group as NetCo's anchor tenant, as well as Fastweb, Iliad and Tiscali combined account for more than half of NetCo's subscriber base. NetCo also benefits from agreements with Vodafone, WindTre and SkyWifi, either directly or via wholesale agreements with Fastweb.

Additionally, upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into a master services agreement (the "**Master Services Agreement**" or "**MSA**") pursuant to which NetCo will provide or procure certain services to TIM and TIM will provide or procure certain services to NetCo. NetCo will mainly provide: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia,) and (vi) other minor services. On the other hand, the TIM Group will mainly provide certain ancillary services including : (i) mobile telecommunication services for NetCo's employees, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.

NetCo reached 84% of the access services market for fixed broadband, excluding FWA, and 76% including FWA as of September 2023. NetCo is expected to become the sole wholesale provider of fixed broadband (including ADSL and FTTC) at scale in each area it serves in Italy, except for FTTH where there is network overlap in Black Areas. NetCo's unique positioning in the fixed-line broadband market is underpinned by the extensive and comprehensive reach of its network infrastructure due to significant historical investment, which is difficult to fully replicate mainly due to the high costs and capital expenditures associated with developing a comparable infrastructure that offers similar national coverage, latency and bandwidth.

In Italy, FTTH coverage and competition is segmented according to European Union guidelines into Black, Grey and White Areas, with an added level of granularity within Grey and White Areas provided by the TIM Group's accounting of the impact of the "Italia a 1 Giga" plan (based on management's estimates):

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years without public support. Within these White Areas, low density areas (reaching approximately 4.3 million households) have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient.
- Grey Areas are areas in which an ultrabroadband network is present or is expected to be developed in the next three years by a single private operator per lot. Subsidies associated with the "Italia a 1 Giga" plan are allocated to only specific segments of these Grey Areas. Given the lack of significant overlap between NetCo's and Open Fiber's fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.

- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or are expected to be developed over the next three years. In Italy's case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

Specifically, outside of certain Black Areas, where NetCo's market share and that of its sole competitor, Open Fiber, are determined by wholesale agreements with telecommunications operators, there is limited FTTH overlap and NetCo is expected to remain the main FTTH provider where NetCo rolls out FTTH, as a result of unit economics and government concessions:

- In certain Grey Areas, NetCo has started to roll out its FTTH network, aiming to bring its coverage up from 19% to 100% by 2027, while competitors have no official roll-out plan in these areas and low ARPU relative to capital expenditure per house passed makes competition and overbuild, in which a network provider builds a competing network in an area already served by an existing network, economically unattractive.
- In other, more suburban Grey Areas, the roll-out of FTTH is allotted to either NetCo or Open Fiber on an exclusive, subsidized, area-by-area basis as determined by the result of the "Italia 1 Giga" tender mapping through the NRRP. In May 2022, the TIM Group was awarded seven lots for the FTTH rollout, covering approximately 2.9 million "unique addresses" that could potentially receive connectivity. This number was halved following the completion of walk-in activities in July 2023. Italy's "Italia a 1 Giga" plan aims to provide better connectivity in rural areas, covering approximately 6.9 million unique addresses. The plan involves subsidies of €3.7 billion and aims to cover areas not included in any fixed ultrabroadband roll-out plan. Under the tender scheme, subsidies to cover a maximum of 70% of the overall eligible investments are available under a roll-out timetable to be completed by June 2026. The temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop, which has been awarded €1,628 million of subsidies to roll out fiber to its seven lots under the "Italia a 1 Giga" tender represent the maximum amount of subsidies that was available to it under the scheme. As part of the Acquisition, the "Italia 1 Giga" plan and its associated subsidies will be transferred, in whole or in part, to NetCo.

In White Areas, NetCo is expected to mainly operate through its existing FTTC network. No NetCo FTTH roll out is foreseen in certain White Areas where Open Fiber operates as the sole FTTH network provider.

Although wholesale telecommunication operators in Italy currently compete on a single network, with the exception of Black Areas and certain Grey Areas where long-term wholesale agreements are in place, Italy has two main network operators deploying fiber nationally: NetCo and Open Fiber. In contrast, peer European countries such as Spain, Germany, the United Kingdom, and France feature at least four fiber network deployers focusing on different geographic areas.

Italy also features a supportive framework incentivizing investments in digital infrastructure with subsidies and support through the aforementioned "Italia a 1 Giga" plan.

NetCo operates in a very attractive Italian market with strong digitalization tailwinds and where its FTTC network provides a hedge against slow FTTH take-up.

Italy is one of the most attractive markets in Europe, having a low fixed broadband penetration rate of 66% of households in comparison to rates exceeding 80% for peer European countries as of 2021.

Italy is the only major European country to lack DOCSIS co-axial cable infrastructure, having instead one primary nationwide network for Internet connectivity based on copper infrastructure. See "*NetCo Industry Overview*." This has resulted in an extensive, high-quality FTTC network with average distance between cabinets and premises among the shortest in Europe, thereby ensuring high connection speeds. This FTTC network provides a valuable complement to the significant opportunities for FTTH development in Italy.

These FTTC connections remain resilient and cash generative in the Italian market, delivering high speed broadband speeds of up to 200 Mbps, supporting a strong customer base in the long term. As of September 30, 2023, FTTC accounted for approximately 65% of NetCo's subscribers, whereas FTTH and ADSL and traditional voice accounted for 11% and 25%, respectively. In the medium term, FTTC connections are expected to maintain stability as the

migration from FTTC to FTTH is anticipated to be balanced by the shift from legacy technologies (primarily ADSL and traditional voice) to FTTC.

As a result of the sufficiency and quality of Italy's FTTC connections, the FTTH market in Italy also remained underpenetrated at 13%, as compared to an average of 35% across the European Union as of September 30, 2022 (source: *FTTH Council, April 2023*), supporting significant digitization opportunities as customers migrate. The availability of FTTH in the Italian market is anticipated to grow rapidly from 53.7% coverage of homes available in 2022 to 85% by 2026, with NetCo expected to be a significant contributor to such growth. See “—*NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.*”

For NetCo, the ownership of the sole national FTTC network provides a natural hedge against the possibility of slower fiber take-up by subscribers, despite FTTH becoming widely available.

Stable revenues with large, resilient cash flows.

NetCo's strategy is underpinned by strong and stable profitability and cash flow generation with high long term visibility, with Organic EBITDA-AL for 2022 and 2023, *pro forma* after giving effect to the Transactions, of €1,812 million and €1,948 million, respectively. In particular, NetCo's resilient cash flows are further underpinned by its stable cash flow generated by its ADSL and FTTC services and certain multi-year wholesale contracts in place, including the Master Services Agreement.

After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023, NetCo's revenue amounted to €4 billion.

As NetCo rolls out its fiber network, it is expected that NetCo will significantly reduce its operational costs base and capital expenditure requirements. After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023 and 2022, NetCo's assurance and maintenance capital expenditures represented approximately 18% and 21% of its capital expenditures, respectively. FTTH and FTTC are more energy-efficient than copper, requires lower central office density and less maintenance than copper, and their greater reliability requires fewer field support staff.

KKR's track record in managing infrastructure in Italy in partnership with the TIM Group provides a strategic advantage in managing NetCo following the Transactions, as further supported by a slate of blue-chip investors

KKR is a leading global investment firm with more than \$553 billion of assets under management, including more than \$50 billion in infrastructure assets. After the Transactions, KKR will indirectly exercise sole control over NetCo. KKR will be able to provide NetCo with a dedicated team of highly experienced professionals, enhanced through the interaction with KKR Capstone, a team of approximately 100 operating executives who work with portfolio company senior managers to help identify and implement operational improvements.

KKR's investment in NetCo will follow its strong track record of investments in fiber infrastructure and will represent a natural continuation of its investment in FiberCop in which it indirectly acquired a 37.5% stake in 2021. KKR has successfully completed eight fiber transactions globally, including, among others, the acquisition of a 30% stake in the Norwegian Telenor Fiber AS in 2023 and the acquisition of a 49% stake in the Spanish dark fiber operator Eléctrica Infraestructuras de Telecomunicación SAU (Reintel) in 2022. KKR believes that through these acquisitions it has helped accelerate the speed of fiber roll-out, customers' and subscribers' migration and the overall development of the telecommunications infrastructure space in the respective countries. With its involvement in NetCo, KKR aims to leverage the strong track record and experience in Italy it has gained since the 2021 acquisition of its stake in FiberCop, the TIM Group company that combines its secondary network and its fiber network infrastructure.

Furthermore, a blue-chip slate of investors will be investing in NetCo alongside KKR, as minority shareholders on the terms set forth in the Agreed Form SHA, including (directly or indirectly) the MEF, the Abu Dhabi Investment Authority, F2i (Fondi Italiani per le Infrastrutture) and Canada Pension Plan Investment Board. This strategic partnership is expected to align NetCo's strategy with the Italian digitalization agenda. See “*Principal Shareholders of Optics—Principal Shareholders of Optics—Shareholders' Agreement.*”

NetCo's Strategy

NetCo, as a prominent independent wholesale provider of fixed broadband services in Italy, aims to benefit from growth opportunities from Italy's underpenetrated fixed broadband and ultrabroadband connections, as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of December 31, 2022 (*source: "Digital Economy and Society Index 2022" – European Commission*). The ongoing investment program to deploy FTTH, in certain areas, also benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives, for which the TIM Group has been awarded and will receive a reimbursement totalling approximately 70% and 90% of the total eligible investments for the "Italia a 1 Giga" and "5G Backhauling" plans, respectively. Data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage and will be further supported by the FTTH deployment. As reported by AGCOM, fixed data traffic over the first nine months of the year has doubled between 2019 and 2023. Following a FTTH investment cycle, NetCo expects to become a focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers.

Leading on sustainability by advancing digitization

NetCo intends to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and digital solutions. NetCo aims to create efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste and selection of suppliers by evaluating their commitment to sustainability. The fiber roll-out is key to NetCo's sustainability project as, in addition to being more energy efficient, production of fiber results in significantly lower CO₂ emissions than copper wires, and fiber is made of abundant, non-harmful silicon dioxide. In addition, NetCo's energy-saving plan has already led to 28 GWh of fixed network energy savings in 2023 via decommissioning activities that included the shutdown of obsolete technologies and services, such as network exchanges. NetCo also adopts new processes to avoid waste and transform it into value, such as measuring the revenue generated by lower waste production and an increase in the resale of waste and unused goods

Go-to independent wholesale provider

NetCo intends to become the leading independent wholesale provider of fixed broadband services in Italy by offering services on a non-discriminatory operator-neutral basis. This will drive scale and network utilisation as well as further reinforce the aforementioned digitalization tailwinds in Italy.

Future-proofing investment program

While NetCo has built a next-generation fixed infrastructure through significant investments over time, it remains committed to further developing and future-proofing its network with the support of the NRRP plan by investing in the latest network technologies. NetCo intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage of all households by 2025, up from approximately 38% as of December 31, 2023 and approximately 32% as of December 31, 2022.

NetCo's investment plans are expected to meet customer demand for high-speed services and to provide the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. Growth in data traffic is expected to increase the utilization of NetCo's fiber network. The ongoing investment program benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives.

NetCo's cost savings potential

The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements, as fiber features lower real estate requirements, while increased take-up from the operational status of the planned deployment of FTTH network is expected to further contribute to economies of scale and growth in profitability. Further, additional significant savings are expected from other aspects of the business, including:

- the use of more efficient technology enabling a significant reduction in maintenance costs, providing for 4x savings for certain technologies; and

- the natural retirement of NetCo's workforce will contribute to adjust the staff base over time while allowing NetCo to hire young talent and reskilling the current workforce. For context, 53% of NetCo's workforce is more than 55 years old as of December 31, 2023.

Moreover, in relation to wholesale tariffs, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

The TIM Group's Key Strengths

The TIM Group believes that it benefits from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions and the implementation of the Delaying Plan:

The TIM Group is a leading player in the Italian telecommunications market and benefits from an improving domestic market environment across the different business units after years of challenging market conditions.

The TIM Group is a leading player in the Italian fixed and mobile retail services and mobile wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile retail segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, the mobile and fixed retail markets are now showing clearer signs of market rationality. This translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. See "*—Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.*" Moreover, the telecommunications industry has proven to be resilient and essential for companies and consumers during the COVID-19 pandemic, as the industry has facilitated valuable activities such as remote working, e-schooling and virtual entertainment.

The Italian broadband market is still underpenetrated and, accordingly, it shows room for further growth. Due to lack of cable infrastructure and difficult morphology, as of December 31, 2023, Very High Capacity Network ("VHCN") coverage in Italy was approximately 54% compared to approximately 73% in the European Union, according to the Digital Decade Country Report 2023, issued by the European Commission. This trend suggests that Italy may offer opportunities for further network deployment, particularly fiber roll-out. Following the successful completion of the Transactions, the TIM Group is expected to benefit from this trend in two significant ways. First, through the Master Services Agreement, the TIM Group will have access to NetCo's future deployed fiber network benefitting from the extended duration of the Master Services Agreement. Secondly, by externalizing the NetCo Business and its potential coverage growth, the TIM Group is expected to benefit from a decrease in capital expenditures and a corresponding reduction in associated risks.

In the consumer segment, the TIM Group believes that the main drivers of data traffic growth include trends such as the growing use of streaming platforms, online shopping, online banking applications, video-on-demand as well as gaming and video activities. The growing adoption of these new applications was boosted by social distancing measures implemented during the COVID-19 lockdowns and the ensuing changes in work and life habits.

In the enterprise segment (which mainly focuses on large enterprises and public administration), relevant drivers for data traffic growth include cloud services, IoT, business continuity and security.

On the back of these long-term trends, data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage. As reported by AGCOM, as of September 30, 2023, fixed and mobile data traffic had almost doubled and tripled, respectively, in three years.

The TIM Group also competes in IT services, which, even if such market has been consistently growing in the last years, has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended December 31, 2023, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.6 billion (for which the TIM Group addresses approximately 30% of the spending in the serviceable market) spent on IoT, (ii) approximately €4.7 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on cloud services, (iii) approximately €1.8 billion (for which the TIM Group addresses approximately 60% of the spending in

the serviceable market) spent on security services; (iv) approximately €2.3 billion (for which the TIM Group approximately 70% of the spending in the serviceable market) spent on traditional connectivity services and (v) approximately €13 billion (for which the TIM Group addresses approximately 56% of the spending in the serviceable market) spent on other IT services and products. The increasing penetration of IT services in Italy is expected to accelerate as Italian companies increase their spending on IT services to improve their competitive advantage and keep pace with the global trend towards digitalization. The TIM Group's ability to foster the digitalization of the country has also passed through the development of strategic innovation programs in the territory, in which TIM has acted effectively as an enabler of open innovation and co-innovation models, through participation in technology transfer centers, such as five public-private partnership state funded Competence Centers. Commitment to innovation allowed TIM to be among the few enterprises representing Italy in the €1.2 billion funds IPCEI project on cloud and Edge computing, awarded by the European Commission during 2023.

The Italian IT services markets are characterized by structural market dynamics which work against international competitors, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in many markets including banking, energy, and healthcare, the importance of local relationships and proximity to customers, which is particularly applicable to public sector companies. As a result, the TIM Group believes that such dynamics favor local players, thus allowing the TIM Group to capitalize on its leading positioning in the IT services market, given its deep knowledge of the domestic market and long-lasting relationships with a wide cross-section of Italian customers and partners. Italian customers have also been shown to prefer IT service suppliers with whom they share a common language, that have extensive operations in Italy and that have an in-depth know-how of the applicable Italian legal and regulatory framework, which the TIM Group believes makes entering the Italian telecommunications markets more challenging for international players. The TIM Group considers that the growth of its underlying enterprise market is mainly driven by strong ongoing digitalization across the Italian public and private sector institutions, with increased IT services spend on, and diversified growth of, new digital enabling technologies such as (i) IoT (which is expected to grow by a CAGR of approximately 9% between 2022 and 2026), (ii) cloud services (which is expected to grow by a CAGR of approximately 17% between 2022 and 2026), (iii) security (which is expected to grow by a CAGR of approximately 11% between 2022 and 2026), and (iv) traditional connectivity services which is expected to grow by a CAGR of approximately 1.4% and 0.7% between 2022 and 2026) and other IT services (which is expected to remain substantially stable between 2022 and 2026).

In response to the COVID-19 pandemic, the European Union put in place a set of measures applicable to all member states in order to help them through the crisis and create a joint platform for economic and social recovery. The national recovery and resilience plan (“NRRP”) presented by Italy provided for substantial investment and a set of reforms representing approximately €250 billion in total, which will be funded both at EU level and nationally. One of the plan's main objectives is the digital modernization of Italy's communication infrastructure, both in public administration and the country's production system, in order to provide fast connectivity nationwide for individuals, businesses, schools and hospitals. The plan therefore comprises several measures to boost the creation of high-performance networks, notably fiber and 5G as well as satellite technologies, and simplifies the regulatory framework for their rollout. Under the NRRP, the TIM Group has been awarded approximately €2.9 billion (includes the amount awarded to TIM and the temporary business groups led by TIM), which will allow clear opportunities for the TIM Group in the infrastructure development, digitization and innovation fields. In particular, the TIM Group was awarded two lots under the “connected healthcare” initiative (representing approximately 3,100 healthcare facilities) and four lots under the “connected schools” initiative (representing approximately 5,900 schools). For more information, see “*Regulation of the TIM Group—Regulatory Levies*” and “*Regulation of NetCo—Regulatory Levies*.”

The TIM Group holds a leading market share in Italy in its fixed and mobile retail and enterprise sectors.

The TIM Group benefits from an established leading position across the fixed retail Italian sectors (including voice and fixed broadband) with a 40.2% market share as compared to 15.9%, 14.0%, 13.8% and 3.7% for the next four competitors and 11.4% for the remaining players, as of September 30, 2023. In the mobile market in Italy (including mobile voice and mobile broadband, and including both “human” SIM and M2M), the TIM Group benefitted from a 27.9% market share as compared to 27.2%, 23.7%, 9.7% and 4.1% for the next four competitors and 7.5% for the remaining players, as of September 30, 2023 (Source: AGCOM Communication market monitoring system No. 4/2023). The TIM Group's service offering is a best in class offering with broadband speeds of up to 10 Gbps, fully flexible TV packages including streaming services, and a wide range of data packages available in mobile, with speeds of up to 2 Gbps on 5G.

The TIM Group is an ICT player in Italy and benefits from an established position in the Italian IT services market for large enterprise and is uniquely positioned in the public administration segment through the Domestic Enterprise organization and an ICT value proposition based on multiple lines of business (i.e. fixed, mobile, cloud, cyber security, IoT and professional services). The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 33,000 customers. Moreover, the TIM Group holds 47% market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2B network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device. The TIM Group also benefits from approximately 8% market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes). The IT services market can be segmented by the type of skills that are employed to deliver the service (such as the design, building and operation of services).

The TIM Group is also a leader and has a unique position in the provision of services for public administration, with approximately 25,000 clients and a consolidated market share with respect to connectivity services and IT services in Italy as of December 31, 2023. Consolidating itself as a pioneer company in the country's digital transformation process, the TIM Group has taken on a key role in the implementation of the NRRP, with particular reference to the National Strategic Hub works to which more than 300 public administrations have already adhered, thus representing a fundamental axis in the national strategy for the digitization of the Italian public administration sustained by approximately €2 billion NRRP Mission 1 funds. Moreover, the TIM Group has started the deployment of LTE Public safety mobile services which was awarded to TIM by the Italian Public Security Department in 2022.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare) as well as the importance of local relationships and proximity to customers. The TIM Group is one of the largest local players in this highly fragmented market, in which it believes scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT Services in business operations which the TIM Group expects to result in IT Services spend in Italy becoming more recurring and resilient in the face of future market downturns and less correlated to macroeconomic trends.

Following the successful implementation of the Delaying Plan, the TIM Group is expected to further capitalize on its leading positions across its served markets through a highly resilient business model partly due to its ability to offer full-service solutions (including mobile voice, landline voice and fixed broadband) and leverage its own mobile infrastructure, the portion of fixed-line infrastructure which is not included in the NetCo's Business and NetCo's fixed-line infrastructure through the Master Services Agreement. See "*Summary—The Transactions—Master Services Agreement*" for further information.

The TIM Group has a set of valuable assets, from a top brand, to unique telecommunications and IT infrastructure and know-how and is a dedicated customer service provider.

The TIM Group leads its competitors across a number of key attributes, including its valuable assets, all equipment and infrastructure components and know-how, comprising its extensive and reliable mobile network with one of the largest spectrum portfolios in Italy, all supported by its top brand and dedicated customer service functions.

Top Brand and Know-How

The TIM Group benefits from strong brand recognition in the telecommunications industry in Italy, with a brand awareness of approximately 65% and a top-of-mind awareness, to June 2023, at approximately 43% among a consumer target population representative of the broader Italian population according to MPS Research – Brand Image & Reputation Study – June Report. The TIM Group's leading market positions in Italy in fixed and mobile retail and mobile wholesale markets further underscore the strength of its brands among Italian consumers. The TIM Group is

also well advertised throughout Italy, partnering with popular music events, key personalities and opinion leaders, such as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to maintain its brand positioning across different target groups and industries.

The TIM Group's top brand is underpinned by its best-in-class technology and know-how. As a fully convergent player in both the business-to-business and business-to-consumer connectivity and service platform, the TIM Group is expected to leverage its extensive and reliable mobile network as well as its future partnership with NetCo to offer a suite of fixed and mobile line services, including 5G, 4G, TV and games, as well as IT services, including cloud, security, AI and IoT. See “—*The Transactions—Master Services Agreement.*”

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. As part of the Delaying Plan, the TIM Group will invest in various technology advancement initiatives which are expected to allow it to possess the most distinctive digital and telecommunication infrastructure in Italy. In particular, as of December 31, 2023, the TIM Group has provided 30.1 million mobile lines (including both “human” SIM and Machine to Machine (“M2M”)) and 8.0 million fixed-line retail lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

Furthermore, following the successful implementation of the Delaying Plan, the TIM Enterprise business area will be an infrastructure-based ICT player in Italy in light of its assets base, which spans from telecommunication assets to the largest proprietary data center footprint in the country, with 16 data centers, of which seven were “top tier,” as of December 31, 2023. Over recent years, the TIM Group has deployed significant investments and has developed specific expertise in leading technologies and solutions. The TIM Group expects that the TIM Consumer business area will own a proprietary backbone in strategic areas, with a mobile virtual network operator agreement within the consumer segment, which will guarantee participation in tenders requiring a proprietary backbone and a mobile core network and to offer flexibility to match client requirements.

Customer service

The TIM Group is dedicated to customer service and maintaining strong relationships with its loyal customer base. In particular, the TIM Group has invested considerably in recent years to improve its customer service, which has resulted in better customer experiences and reduced churn rates. These improvements reflect the TIM Group's focus on better services and the shift to a more digital customer service model. High customer satisfaction is further underpinned by the TIM Group's extensive customer data, a unique combination of digital and physical channels service and a reliable customer service platform. Specifically, the TIM Group benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top ten clients. These longstanding relationships are underpinned by its end-to-end solutions and experienced employee base who provide deep institutional knowledge. The TIM Group deploys a significant amount of resources to attract, maintain and train its employees, project managers and digital and technology specialists. The TIM Group generally has a low turn-over among its employees and believes that its strong commitment to training, together with its reputation as of one of the leading independent players, will allow it to continue to attract and retain skilled employees.

The TIM Group's cutting-edge mobile infrastructure will be further strengthened by the TIM Group's ongoing future-proofing investment program.

The TIM Group's 5G network is among the fastest in Europe in terms of download speed according to Opensignal. The TIM Group's 5G has reached 2,300 municipalities as of December 31, 2023, with service already available in each of them (in Milan, the TIM Group's 5G has reached over 90% coverage), with capex-efficient deployment benefitting from the sharing of network infrastructure with Vodafone. The TIM Group has provided approximately 30.1 million mobile lines (including both “human” SIM and M2M) in Italy as of December 31, 2023. The TIM Group has also entered the world's top 30 companies for having enabled an improvement in the switch from the 4G to the 5G network in terms of download and upload speeds as well as in the spread of videos and gaming experience. Moreover, as of December 31, 2023, the TIM Group's 4G network covered over 99% across Italy, marking the highest level recorded in Italy. Such extensive coverage has been maintained since 2018, following a steady increase from approximately 88% in 2015, approximately 96% in 2016 and approximately 98% in 2017. With this rapid expansion

of 4G network coverage, the TIM Group believes that it is well positioned to satisfy the growing market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation mobile infrastructure through significant investments over time, it remains committed to further developing and future-proofing its mobile network with the support of NRRP funds by investing in the latest network technologies. In particular, the TIM Group intends to continue updating and expanding its mobile network, which it expects to significantly expand 5G coverage to approximately 90% across Italy by 2025 in line with its 5G 700 MHz licensing obligations and increase its high-speed mobile data capabilities to over 50% of the population with 3.7 GHz. The TIM Group's 5G expansion is underpinned by its valuable spectrum rights acquired in 2018. In the 2018 multiband spectrum auction, TIM has obtained significant spectrum rights on all available frequencies in the 700 MHz and 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700 MHz, 1x80 MHz in 3.6-3.8 GHz and 1x200 MHz in 26.5-27.5 GHz), further consolidating its leading role in the sector. These 5G spectrum rights expire in 2037. Moreover, in the future, the TIM Group will gradually be able to use its 4G frequencies (including its 800 MHz, 1800 MHz, 2100 MHz and 2400 MHz bands) for 5G.

The TIM Group believes that its investment plans uniquely position it to meet customer demand for high speed services, as well as providing the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services and deliver its primary goal of having the best mobile network for its customers. The TIM Group believes that the growth in data traffic will increase utilization of its mobile network and, given the planned quality and reach of its network, the TIM Group expects this will enable it to further differentiate its network in the medium term. The ongoing investment program benefits from government support under the NRRP for the "5G coverage," connected healthcare and connected schools initiatives.

The Brazil Business Unit benefits from next-generation telecommunication infrastructure, driving strong growth, profitability and cash flow generation.

The TIM Group entered the Brazilian market more than 20 years ago. Through the Brazil Business Unit, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products in Brazilian market.

The Brazilian telecommunications market offers attractive fundamentals as one of the largest consumer markets with approximately 255 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 47 million fixed lines, as of November 30, 2023. Moreover, the Brazilian telecommunication market is expected to enjoy a cycle of ARPU growth after years of competitive tension due to the consolidation of operators from four to three following the Oi acquisition. The TIM Group believes that it is well positioned to benefit from this growth, underpinned by its acquisition of Oi mobile assets, which completed in 2022. The TIM Group believes that the Brazilian market offers strong growth and expects the Brazil Business Unit to be able to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and accelerate the migration from FTTC to FTTH to drive network quality in order to outgrow the market.

The Brazil Business Unit benefits from next-generation telecommunication infrastructure distributed throughout Brazil. Its mobile network covers areas in which approximately 99% of the Brazilian urban population lives and works (4G urban population coverage). According to ANATEL, as of November 30, 2023, the Brazil Business Unit had approximately a 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. The Brazil Business Unit is one of the most profitable group of companies in the Latin American telecommunications market achieving leadership among its peers.

Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.

The TIM Group is a leading and historically profitable company. On the key profitability metric of Organic EBITDA margin, the TIM Group is among the top performers in the Italian market with an Organic EBITDA margin of approximately 39% for the year ended December 31, 2023, slightly better than comparable European peers with an average Organic EBITDA margin of approximately 37%, according to TIM's management's analysis of publicly reported financial statements.

The TIM Group generated an Organic EBITDA-AL of €5,304 million for the year ended December 31, 2023 and €3,450 million for the year ended December 31, 2022, after giving pro forma effect to the Transactions. See “*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group.*” Moreover, the TIM Consumer and TIM Enterprise business areas, are expected to benefit from structural resiliency in the Italian market, allowing for increased predictability as well as profitability.

The TIM Group believes that its resilient profitability profile is a direct result of its focus on cost optimization and organizational efficiency, which it expects to be further underpinned by the Transformation Plan (as defined below) as well as a prudent capital expenditure policy. Specifically, the TIM Group’s Transformation Plan (as defined below) includes long-term targets regarding savings on labor and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labor and cost optimization. See “—*The TIM Group’s Strategy—Transformation Plan*” for more details.

In addition to ongoing cost-saving initiatives, the mobile and fixed markets are now showing clearer signs of market rationality on price. The fixed churn rate has been stable, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1% and 1.1% for the year ended December 31, 2022 and December 31, 2021, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1 and 1.2% for the year ended December 31, 2022 and December 31, 2021, respectively. Additionally, for the year ended December 31, 2023, compared to the year ended December 31, 2022, the TIM Group’s net adds improved and consumer fixed ARPU (net of activation fee) increased by 4.1%.

The TIM Group had selectively repriced 4.3 million fixed lines and 2.1 million mobile lines between January and March 2023, which the TIM Group believes would have achieved significant revenue upside for the year ended December 31, 2023, in comparison to year ended December 31, 2022. At the same time, the market has introduced inflation indexed tariffs, further aiding price rationality. Such price rationality translates into lower churn rates and offers opportunities to upsell customers with “more for more” propositions. The TIM Group’s “more for more” proposition involves repositioning the customer base for higher value deals by providing them more value in terms of calls, data and content for the price paid.

In relation to wholesale tariff pricing, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

Highly accomplished management team, committed to deleveraging with proven track record of delivery.

The TIM Group benefits from a highly accomplished and experienced management team, led by its CEO, Pietro Labriola, who was appointed as general manager in November 2021 and then appointed as CEO in January 2022 and brings over 20 years of experience at the TIM Group including as the former CEO of TIM Brasil where he transformed TIM Brasil from a newcomer to a market leader. Under Pietro Labriola’s leadership, the Brazil Business Unit has successfully evolved from a newcomer with an EBITDA margin of approximately 34% as of December 31, 2016, to a market leader with an EBITDA margin of 46% margin for the year ended December 31, 2022. The TIM Group’s senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy, Business Development & Wholebuy Officer, Elio Schiavo as Chief Enterprise and Innovative Solutions Officer and Andrea Rossini as Chief Consumer, Small & Medium and Mobile Wholesale Market Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience. See “*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business Activity and Industry—Any changes in the TIM Group’s directorship and/or senior management could adversely affect the TIM Group’s business.*”

The TIM Group’s management team is seasoned in running, acquiring and staffing telecommunications businesses and in navigating consumer markets both in Italy and abroad, and they leverage the expertise they acquired over decades of combined experience at top-tier telecommunications companies such as Telecom Argentina, Wind Telecomunicazioni, Wind Tre, Apple and Vodafone. More importantly, the management team has a strong track record of delivering growth from both organic initiatives and strategic acquisitions and has won and maintained strong stakeholder support while maintaining a strong debt capital structure. This industry-leading management team is supported by a deep bench of divisional managers.

The TIM Group's management brings a strong commitment to deleveraging the group, both organically and through the strategic options created by the Delaying Plan, as discussed under "*The TIM Group's Strategy—Delaying Plan*." The TIM Group's management has also enacted the Transformation Plan (as defined below) with ambitious cost-cutting targets, and for the year ended December 31, 2023, management has achieved approximately €800 million of savings. See "*The TIM Group's Strategy—Transformation Plan*" for more details.

The TIM Group's Strategy

The TIM Group's strategy embeds two distinctive features, the Delaying Plan and the Transformation Plan (as defined below), as further described below.

Delaying Plan

The Implementation of the Delaying Plan

On March 3, 2022, the TIM Group conceptually approved a plan to reorganize its business segments with the aim of separating its national fixed-line access network infrastructural assets and shifting from its existing business model to a new more horizontal structure encompassing four business areas, one of which, TIM Brasil, would be dedicated to the Brazilian market. The remaining three areas would be: TIM Enterprise, TIM Consumer and a business area comprising also certain network assets, including the entire mobile network, the national backbone and data centers (the "**Delaying Plan**"). On July 6, 2022, the board of directors of TIM (the "**Board**") approved the Delaying Plan (the "**2022-2024 Industrial Plan**"). On February 14, 2023, and on March 6, 2024 the Board approved the continuation of the Delaying Plan for the periods 2023-2025 (the "**2023-2025 Industrial Plan**") and 2024-2026 (the "**2024-2026 Industrial Plan**"), respectively.

The purpose of the Delaying Plan is both "industrial," which translates into unlocking growth and achieving better operational results and "financial," with a specific attention to efficiencies and funding the investments that will increase the value in the medium to long term, the valorization of long-term assets and debt sustainability. To pursue these objectives, the TIM Group seeks to substantially reduce its net leverage and achieve a long-term sustainable capital structure. The TIM Group's strategy to achieve such goals includes utilizing of cash proceeds from corporate transactions and engaging in deleveraging activities, such as the one contemplated in this Exchange Offer Memorandum. Accordingly, on November 6, 2023, the Board entered into the Transaction Agreement to give effect to the Transactions. See "*The Transactions*."

In addition, the TIM Group maintains a high degree of flexibility to explore additional cash-in options in order to maximize value for the TIM Group and its stakeholders and believes that it is well equipped to navigate the challenging and volatile market conditions.

The implementation of the Delaying Plan is expected to facilitate each of the new business areas pursuing their own focused strategy

The TIM Group operates in a highly regulated and competitive market. See "*TIM Group Regulation*" and "*TIM Group Industry Overview*" for further information. In particular, the new TIM Consumer, TIM Enterprise and the existing TIM Brasil business area will operate in distinct markets, responding to different competitive dynamics and business trends with tailored strategies. The Delaying Plan is set to facilitate the business reorganization of the TIM Group around such new business areas and the implementation of their focused strategies. Accordingly, such organizational refocusing will allow management to operate on clear and business-specific KPIs to measure success in order to facilitate efficient management and improved capital allocation, in order to shorten the path to yet a more satisfying cash generation.

In particular, the TIM Consumer business area, is expected to follow a more focused path with a goal of increasing the perception of a premium and highly reliable telecommunications operator, seeking to benefit from pricing flexibility and planning to be ready for in-market consolidation opportunities. On the other hand, the TIM Enterprise business area is expected to drive the TIM Group's innovation path, intended to confirm it as a unique integrated ICT provider. The TIM Group, through its TIM Enterprise business area, aims to cater to blue-chip companies and the Italian public sector by offering bespoke B2B solutions and proprietary products.

Although not directly impacted by the Italian delayering strategy, activities in Brazil will continue to leverage the additional infrastructure and spectrum obtained through the Oi acquisition, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality. Through the Oi acquisition, the TIM Group has improved scale, new revenue generation opportunities, higher efficiency mainly due to additional spectrum and opportunities to capture value from infrastructure overlap.

The Delayering Plan is expected to bring regulatory relief

Following the successful completion of the Transactions, the TIM Group expects to benefit from an easing of its current regulatory obligations. AGCOM is expected to classify NetCo as a wholesale-only operator. However, it is uncertain whether such favorable decision will be adopted by AGCOM. Such a classification, if given, will result in improvements to the regulatory environment for the TIM Group in the Italian market, enabling it to compete on a level playing field with other market participants under applicable competition laws.

In particular, the TIM Group expects that, as a result of the Transactions, its current obligations to offer retail access prices replicable by competitors and to submit new retail offers to AGCOM for prior approval will no longer apply to the TIM Group's future retail offers, thereby allowing it to shape commercial offering on more competitive terms. For additional information, please see "*TIM Group Regulation*." Therefore, the TIM Group believes it is strategically positioned to leverage this prospective regulatory change and to implement its pricing strategies with greater autonomy. Moreover, the discontinuation of AGCOM's *ex ante* approval process is expected to boost the TIM Group's ability to quickly adapt to market demands, leading to a more rapid introduction of new services and promotional activities, effectively enhancing its time to market.

The implementation of the Delayering Plan is expected to bring competitive efficiencies

Following the completion of the Transactions, the TIM Group will transition to a smarter asset model, maintaining direct ownership and control over key infrastructure such as, among others, its mobile network, data centers and IP backbone, while providing fixed-line services to retail customers through wholesale access services from NetCo. Such smart asset model is expected to provide the TIM Group with a strategic flexibility while maintaining access to the required infrastructural asset base.

In the mobile retail market, the TIM Group's key strategic assets (such as, among others, the IP backbone, transport and spectrum coverage), are expected to serve as a significant competitive edge over its main competitors. These assets are fundamental for scaling up 5G services. The IP backbone, in particular, is a critical competitive asset for maintaining performance next-generation mobile network that integrates edge computing and cloud technologies. Additionally, the TIM Group's superior spectrum holdings are key to deliver high-quality service. The synergy of these assets positions the TIM Group to effectively pursue strategies aimed at enhancing the value of its customer base.

In the fixed retail market, the TIM Group's activities in fixed-line services are expected to be sustained through the strategic divestment of those assets concerning its fixed-line network which are contemplated by the Transactions. This maneuver is complemented by a contractual arrangement with NetCo (i.e. the Master Services Agreement), a draft of which is attached to the Transactions Agreement and will be signed on the Acquisition Closing Date.

In particular, the TIM Group will provide, among others, the following services to NetCo pursuant to the Master Services Agreement: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT "business support systems" supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. On the other hand, NetCo will provide, among others, the following services to the TIM Group: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end customers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia) and (vi) other minor services. Accordingly, following the Transactions, the TIM Group is expected to benefit from, among other things, the extended duration of the Master Services Agreement. For

further information regarding the Master Services Agreement, please see “—*The Transactions—Master Services Agreement.*”

As part of the Delaying Plan, the Transactions will allow the TIM Group to significantly delever

Following the successful completion of the Transactions, the TIM Group is expected to significantly delever. The strategic asset dispositions alongside the successful completion of the Exchange Offers, both as contemplated by the Transactions, are expected to contribute substantially to the reduction in the net leverage of the TIM Group, setting the stage for a new phase of debt sustainability. After giving *pro forma* effect to the Transactions, the TIM Group's Adjusted Net Financial Debt-AL would have decreased by €13,768 million to €6,581 million.

The TIM Group's Adjusted Net Financial Debt-AL and Ratio Adjusted Net Financial Debt-AL to Organic EBITDA-AL were €20.3 billion and approximately 3.8x for the year ended December 31, 2023, respectively.

The TIM Group believes that following the Transactions it will benefit from increased financial flexibility and be able to align its net leverage ratio with best-in-class peers, thereby enhancing its competitive position.

See “*Presentation of Financial and Other Information—TIM Audited Consolidated Financial Statements*” and “*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.*”

The implementation of the Delaying Plan is expected to allow the TIM Group to have strategic flexibility

The successful implementation of the Delaying Plan is expected to grant the TIM Group enhanced strategic flexibility, enabling it to swiftly pursue growth initiatives, both organic and inorganic, within its new organizational model, including, for example, inorganic growth in ICT services to enterprises in the areas of cybersecurity and artificial intelligence. This strategic adaptability is expected to empower the TIM Group to capitalize on emerging market opportunities, streamline operations and foster innovation across its new and reshaped business. By reorganizing its structure, the TIM Group aims to position itself to respond more effectively to the dynamic telecommunications landscape, drive efficiency and optimize its asset portfolio to support sustained growth and value creation.

The new business areas set forth under the Delaying Plan: TIM Enterprise, TIM Consumer and TIM Brasil

For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €6.2 billion, €3.4 billion, €1.0 billion and €4.4 billion in revenue respectively. These figures consider the effects of Master Services Agreement and Transitional Services Agreement as well as intercompany agreements between TIM Consumer, TIM Enterprise and Sparkle, amounting €0.4 billion between TIM Consumer and TIM Enterprise and €0.2 billion between Sparkle and other domestic entities within the TIM Group. For the same period, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €1.1 billion, €0.7 billion, €0.1 billion and €1.6 billion of Organic EBITDA-AL and would have incurred in €1.0 billion, €0.3 billion, €0.1 billion and €0.8 billion of Capital Expenditures, respectively.

However, in the TIM Audited Consolidated Financial Statements and in this Exchange Offer Memorandum, the TIM Group presents its financial and operating information per the business units and segments in the manner described under “—*TIM Group Business Units.*” See also “*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Operating Segments*” for more details. As such, in this Exchange Offer Memorandum, the TIM Group does not present its business in terms of the new organizational model.

TIM Enterprise

The TIM Enterprise business area will be the only full ICT provider in the domestic market capable of providing fixed and mobile connectivity, cloud, cyber security and IoT solution swill benefit from a strong position in the Italian IT

services market for large enterprise and uniquely positioned in the public administration segment, providing the following end-to-end ICT offerings:

- *Managed and professional services:* This will include change assessment, cloud migration and cost optimization, and running deployment, systems and application management, full outsourcing, managed audit and billing and managed security and governance.
- *Solutions:* This will include cloud solutions for modern workplace, customer experience, modern and enterprise applications, digital marketplaces and trusted services. It will also include security solutions for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT solutions.
- *Cloud infrastructure:* This will include TIM Cloud, Google Cloud, Edge Cloud and other third-party clouds.
- *Data center and Edge:* This will include data center offerings as well as TIM Edge.
- *Network:* This will include providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line retail market and providing 2G, 4G, 5G, human and M2M, device and technical assistance offering, and 5G private network offerings in the mobile market.

The TIM Enterprise business area will be one of the leading ICT providers for large enterprises, employing 5,300 people with over 2,000 different types of certifications, of which over 1,500 employed in pre-sales, sales and post-sales. Moreover, the TIM Enterprise business area will hold a leading market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2M network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device.

The TIM Enterprise business area will also benefit from its market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes held by the TIM Group). The IT services market can be segmented by the type of skills that are employed to deliver the service, such as the design, building, and operation of services.

The TIM Enterprise business area will also be a leader and will have a leading position in the provision of services for public administration, with approximately 25,000 clients.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare), the importance of local relationships and proximity to customers. The TIM Enterprise business area will be one of the largest local players in this highly fragmented market, in which scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which the TIM Group expects to result in IT services spend in Italy becoming more recurring and resilient in the face of future market downturns and less correlated to macroeconomic trends.

The TIM Enterprise business area will have clear and distinctive competitive advantages to gain from expected market momentum, including: (i) an unmatched offering in the Italian market, (ii) an owned mobile core network, (iii) 16 directly owned data centers, of which seven were “top tier,” as of December 31, 2023 and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of the TIM Group’s top 10 clients of more than 20 years, as of December 31, 2023), with an average contract duration of approximately three years, (ii) an unparalleled asset base with 16 proprietary data centers, (iii) a proprietary backbone in strategic areas with a

dedicated assets and access to a broader network, (iv) a customer base exceeding 33,000 clients and (v) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft, Fortinet, Cisco and VMware makes the TIM Enterprise business area the natural reference point for many large enterprises and public bodies that seek to streamline their telecommunication and IT infrastructure, ideally with a single counterparty providing seamless end-to-end services. With core data services increasingly integrated with cloud, IoT and security solutions, the TIM Group believes that this convergence can only continue. The TIM Enterprise business area is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business area, the TIM Group's management is developing an integrated go-to-market approach between the historically and separately managed brands of the TIM Enterprise business area, including Noovle, Telsy and Olivetti. A scaled-up combined product factory will end historic fragmentation between the brands, thereby creating potential for synergies and capacity for new proprietary capabilities due to fully integrated end-to-end product capabilities. The TIM Group's primary focus is on the continuing acquisition of scale, focusing on proprietary products and a public administration cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one off restructuring costs and expanding its data centers footprint for improved offerings.

The TIM Enterprise business area is expected to benefit from sustainable growth, underpinned by a further expansion in the ICT market, the optimization of key assets, ensuring more efficient operations and a shift in its operating model, aiming to insource certain external capabilities. In particular, the key features of TIM Enterprise business area's operating model are expected to be as follows:

- centralized corporate sales and account management involving a single point of contact to engage with customers in order to better identify needs and explore opportunities;
- integrated marketing and solution development, by industry and top clients;
- specialized pre-sales, with product-focused pre-sales specialists supporting account managers during sales process;
- vertical product management, with product-focused business and technical requirement identification to steer competence center development;
- integrated delivery project management with specialized project management for project delivery coordination;
- vertical delivery specialists with product-focused experts responsible for single product delivery;
- integrated research and development to setup common standards and methodology;
- product-specific competence centers to develop internal IP from product management inputs;
- integrated technical practices for management of key partners' technology solutions;
- integrated managed services for infrastructure;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Group believes that these measures will result in (i) higher revenues generated by the activities within the TIM Enterprise business area, including revenues generated by ICT services, (ii) significantly increased cash conversion and (iii) optimized capital expenditures as well as operational costs.

TIM Consumer

The TIM Consumer business area will be the leading fixed and mobile services provider in the consumer and Small and Medium Business retail market in Italy. To support its operations, the TIM Consumer business area will continue to rely on the direct ownership of its mobile infrastructure, data centers and backbone and further equipment and infrastructure components (not included in the NetCo Business) and will utilize fixed-line wholesale access services from NetCo through the bespoke and flexible Master Services Agreement.

The TIM Consumer business area will continue to operate in a competitive environment. In order to address these challenges, the TIM Group's management is implementing a recovery strategy. The main goal of the TIM Group is to transform its TIM Consumer business area into an agile, efficient and commercially flexible premium and highly reliable business with a shift in strategy, from volume to value. The Delayering Plan will enable the TIM Group's management to focus on end-to-end responsibility for the entire business, with full accountability for the implementation of the strategy. The TIM Group also expects that delayering will enable higher commercial flexibility by lifting price-replicability and allowing a level playing field with competitors.

As part of the transformation, the TIM Consumer business area has focused on activities that delivered value in the short term both in terms of costs and top line such as a successful implementation of a brand repositioning and pricing redesign, improvised organizational structure and capital expenditure and IT demand optimization. The TIM Consumer business area will continue to focus on striving for sales excellence and data-driven customer value management, providing turn-key ICT solutions for Small and Medium Businesses.

As near-term goal, the TIM Group aims at stabilizing the customer base within its TIM Consumer business area through a turnaround plan. This strategy entails, among other things, reduced churn, with gradual ARPU increases through a "more for more" proposition, a restructuring of its current content strategy and the TIM Vision platform, the optimization and digitalization of the current channel mix and higher FTTH/5G uptake which should provide opportunities for improved pricing and up-selling.

As a long-term objective, following expected market and revenue stabilization, the TIM Group believes that TIM Consumer business area will be able to enhance its performance by expanding beyond connectivity services, thereby broadening its scope from a telecommunication operator to a customer platform business. This strategy involves evaluating new business potentials and defining a go-to market approach. Growth prospects include a more distinct differentiation of entertainment services alongside a restructuring of its content strategy to prioritize profitability. This strategy will pivot towards a new business model that focuses on distributing content from leading third-party providers like Netflix, Apple TV and Disney⁺ on a revenue-sharing basis, thereby requiring minimal investment. The TIM Group also plans to enrich its 5G and ICT portfolio and advance its data-driven strategy. Furthermore, the TIM Group plans to broaden its current offering scaling up certain of its existing products and services, including media and insurance services, as well as expanding on new high-value services, including consumer finance, health and education. These initiatives are designed to lay the foundation for sustainable growth, anchored in high-quality service positioning and a compelling digital service offering.

The TIM Group believes that its TIM Consumer business area will have the opportunity to capitalize on its unique asset portfolio and capabilities to increase its organizational efficiency and support its consumer platform strategy and partner attraction. In particular, the TIM Group expects to benefit from: (i) a robust customer base, rooted in longstanding relationships with a significant portion of households and enterprises, complemented by comprehensive subscriber data, (ii) a widespread sales channels capillarity across major Italian cities, efficient call centers and a strong online presence, (iii) a well-established and reputable brand, ranking among the top ten most valuable brands in Italy and the leading among Italian telecommunications operators and (iv) a meticulously structured customer interaction system, ranging from widespread presence throughout Italy to more personalized engagement for specific interactions, such as billing relationships and home access via set-top-box. The strengths of the TIM Consumer business area are expected to underpin continued growth and help maintain its competitive position in the market. These advantages are essential for the unit to respond effectively to evolving consumer needs, leveraging technological advancements and capitalizing on its strong market presence to secure ongoing success and a leading role in the industry.

TIM Brasil

The TIM Brasil business area aims at becoming the next generation telecommunications operator driving the digitalization of Brazil, distinguished by offering superior service and network quality and committed to providing a fully differentiated and reliable suite of services in order to deliver superior and sustainable value to its shareholders. TIM S.A., a 67%-owned listed subsidiary of the TIM Group, is already among the most profitable telecommunications companies in Latin America and leads its peers with a free cash flow yield of approximately 10.3% for the year ended December 31, 2023. TIM Brasil business area will continue to operate in a large, increasingly attractive and growing market, which has benefited from recent consolidation from five to three mobile operators (including TIM S.A.'s integration of part of Oi), a healthy regulatory environment, continuous growth in addressable customer base and the favorable effects after reduction of the Brazilian turnover tax ICMS from 28% to approximately 20%-22% for the years ended December 31, 2022 and 2023, respectively. The TIM Brasil business area is uniquely positioned to become the preferred telecommunications operator in Brazil, offering leading value propositions in markets driven by value. In particular, the TIM Brasil business area has received several recognitions within the industry, including being the first operator to provide 4G connectivity across all 5,570 Brazilian cities and delivering innovative services through strategic partnerships with key industry players. See “*Business of the TIM Group*” and “*TIM Group Industry Overview*”

The TIM Group's strategy for its TIM Brasil business area aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage, the migration of FTTC to FTTH technology as well as a prudent capital allocation and expenditures. The strategy is further bolstered by the competitive advantage of operating in a market characterized by fragmentation and the presence of numerous regional players as well potential opportunities in the business-to-business IoT market. Benefits to efficiency and scale are expected to originate from the ongoing integration of Oi operations, which is currently subject to one-off operation expenditure and capital expenditure as part of the integration. Further growth opportunities targeted by the TIM Brasil go beyond the core business with the ambition to become a full vertical orchestrator of B2B and IoT services, in partnership with industry leaders.

Transformation Plan

In addition to the Delaying Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the “**Transformation Plan**”) covering TIM Consumer business area and TIM Enterprise business area (collectively, the “**TIM Domestic business area**”). As of December 31, 2023, TIM Domestic business area generated approximately €1.1 billion of total savings, of which approximately €0.7 billion were operating expenditure savings and approximately €0.4 billion were cash cost, respectively. This was achieved mainly through, among other things: (i) a hourly reduction involving more than 70% employees, (ii) voluntary exits of approximately 0.6 thousand employees, (iii) a company-wide insourcing program, reskilling about 1.1 thousand employees, (iv) energy initiatives, (v) an optimization of approximately 200 thousand square meters premises, (vi) a reduction of approximately 18% year-over-year of human calls in its customer care operations and (vii) a dismantling of approximately 14 thousand public payphones.

Following the targets and objectives achieved between 2022 and 2023 under the Transformation Plan (the “**First Wave**”), the TIM Group is further committed to continuing its transformation journey, setting forth new targets for the 2024-2026 period (the “**Second Wave**”).

The Second Wave is founded on two key transformation pillars. Specifically, the TIM Group aims to (i) continue streamlining its cash cost baseline by simplifying and right-sizing cost structures, ensuring clear and full cost accountability and (ii) reassess its processes and operating models across all group companies, with a particular focus on advancing the TIM Group's digital capabilities, processes, and operating models. The TIM Group anticipates that these measures will help mitigate total cash cost increase associated with the expected shift in revenue mix. The TIM Group believes that such strategy will allow it to mitigate the expected cost increases resulting from the expected shift in revenue mix, from higher-margin connectivity services to lower-margin ICT and multimedia services. In particular, the TIM Group is expected to focus on a series of high-impact initiatives:

- *People re-skill and insourcing:* The TIM Group is committed to launching a new company-wide insourcing program aim at internalizing current external activities, leveraging internal skills and capacity. This initiative is expected to enhance market responsiveness, reduce external costs and improve margins.

- *End-to-end Processes:* This initiative focuses on digitalizing and automating critical, human-intensive business processes throughout the TIM Group through the implementation of advanced technologies, such as AI. The goal is to simplify and enhance operations and streamline costs, ultimately accelerating revenue generation.
- *Customer Care:* This initiative aims to reduce human interactions by offering targeted interactions and a wider suite of digital customer care alternative, such as a dedicated mobile app and voicebot. The TIM Group expect to capitalize on the reduction of external costs related to outsourced activities and enhance its customer engagement.
- *Multi-product Sales Channels:* In addition to ongoing channel mix and cost optimization activities, this initiative aims to leverage the TIM Group's existing channels to lower per-unit acquisition costs by offering a broader range of products and services, such as insurance and energy.
- *Mobile Network:* This initiative aims to implement a new data-driven approach which prioritizes sites that offer a higher return on investment and optimize capital expenditures allocation. The TIM Group believes that such initiative will expedite the rollout of the 5G network and close the competitive gap with its competitors.
- *IT:* This initiative aims to enhance productivity by adopting a new operating model that leverages strategic partnerships with key partners.

The assumptions used in estimating total savings, including the components of such estimates and the steps to be taken to realize such savings and the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transaction and the implementation of the Delaying Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic, competitive and legal risks and uncertainties. The TIM Group cannot assure investors that the information on which it has based its assumptions will not change or that it will be able to realize any of the as-yet unrealized cost savings or benefits it believes are possible based on the TIM Group's management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transactions, the Delaying Plan and the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transactions, the Delaying Plan and the Transformation Plan will be effective or that the savings targets or the expected benefits presented herein will be achieved in whole or in part.

For further information, please see "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's business will be adversely affected if the TIM Group is unable to successfully implement its strategic objectives and factors beyond its control may prevent it from successfully implementing its strategy," "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs" and "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group's business, financial condition and results of operations."

Recent Developments

FiberCop Term Loan Waiver

FiberCop is in the process of submitting a waiver request to the agent to obtain the lenders' consent to waive any actual or potential breach of any clause of the FiberCop Term Loan that may arise as a result of the completion of the Acquisition and to undertake not to exercise any rights and remedies they may have under the FiberCop Term Loan on completion of the Acquisition, and waive the provisions in terms of mandatory early redemption under the FiberCop Term Loan that might arise as a result of the completion of the Acquisition, with the effect that the outstanding amounts under the FiberCop Term Loan that may be accelerated by the lenders as a consequence of any such breach will not automatically become due and payable on the closing of the Acquisition, *provided* that FiberCop will repay any such amounts due in full, together with any accrued interest, within 60 days of the Acquisition Closing Date. In the event that the waiver request is not granted, it is understood that Optics will repay the loan promptly in connection with the

completion of the Acquisition. Any necessary funds to proceed with such repayment are expected to be made available to FiberCop by Optics on the basis of drawings to be made under the Senior Facilities Agreement and Senior Bridge Facility Agreement. See “—*Optics Financings—Senior Facilities Agreement and Senior Bridge Facility Agreement*”

TIM Term Facility Agreement

On April 4, 2024, TIM signed a term facility agreement with certain lenders party thereto (the “**TIM Term Facility Agreement**”). The TIM Term Facility Agreement provides a Euro term loan facility to TIM as borrower. The total commitment under the TIM Term Facility Agreement is equal in aggregate to €1.5 billion with a maturity of 18 months. The TIM Term Facility Agreement contains certain customary conditions and requires mandatory prepayment upon certain events, including in connection with the consummation of Acquisition. As of the date of this Exchange Offer Memorandum, the TIM Term Facility Agreement has been drawn down for the full amount to refinance short-term indebtedness of the TIM Group.

The Transactions

The NetCo Separation

As a part of its Delaying Plan, and consistent with its deleveraging strategy to achieve a long-term sustainable capital structure, the TIM Group is in the course of completing the separation and sale of certain of its infrastructure assets related to the copper and fiber fixed active and passive network. On February 1, 2023, TIM reported having received from KKR a non-binding offer for the purchase of a newco being established, consisting of certain infrastructure assets of the fixed network, including the assets and business of FiberCop, as well as the holding in TIM Sparkle (“**NewCo**”). Thereafter, on March 5, 2023, TIM reported having received from a consortium consisting of CDP Equity S.p.A. and Macquarie Infrastructure and Real Assets (Europe) Limited, acting on behalf of a group of investment funds managed or assisted by the Macquarie Group (the “**Consortium**”), a non-binding offer for the purchase of NewCo. In order to allow both the Consortium and KKR to submit their best offers in a defined competitive process, TIM’s board of directors at its meeting held on March 15, 2023, mandated the Chief Executive Officer, Pietro Labriola, to start a regulated process, sending both offerors, through their advisors, a process letter setting out: (i) the terms that would give them access to additional, specific information, identical for both offerors; and (ii) the ways by which each could submit an improved non-binding offer by April 18, 2023. On April 18, 2023, TIM announced having received two new non-binding offers by the Consortium and KKR and, in its meeting on May 4, 2023, TIM’s board of directors analyzed the non-binding offers received and concluded, in light of the readiness expressed by at least one of the bidders to improve its non-binding offer, to allow the bidders additional time to present revised non-binding offers by June 9, 2023. On June 9, 2023, TIM announced that new non-binding offers were submitted by each of KKR and the Consortium. On June 22, 2023, TIM announced that its board of directors met and examined the new non-binding offers and, after extensive and in-depth discussions, conducted with the assistance of leading financial advisors, TIM’s board of directors deemed that the offer submitted by KKR was preferable in terms of executability and timing, and higher pricing than the competing offer submitted by the Consortium. In light of the foregoing, TIM’s board of directors unanimously mandated TIM’s Chief Executive Officer to initiate, on an exclusive basis, an ameliorative negotiation with KKR, aimed at obtaining the presentation of a conclusive and binding offer according to the best terms and conditions, as well as to agree on the perimeter, methods and timing for the execution of the confirmatory due diligence referred to in KKR’s offer. The exclusive negotiation with KKR came to conclusion with the submission, on October 15, 2023, of a binding offer which was then negotiated and approved by TIM’s board of directors on November 5, 2023 and the subsequent signing on November 6, 2023 of the transaction agreement by TIM, Optics and Teemo Bidco S.à r.l (the “**Transaction Agreement**”).

The Transaction Agreement

Under the Transaction Agreement, the Acquisition is subject to the satisfaction or waiver of three conditions precedent: (i) obtaining a decision (including through the lapse of time limits) under the powers conferred to it by antitrust law including, but not limited to, (i) Articles 101 and 102 of the Treaty on the Functioning of the European Union and equivalent provisions; (ii) Italian Law No 287 of 10 October 1990; (iii) Regulation (EC) No 139/2004 and any applicable merger control rules (the “**Antitrust Law**”) by the European Commission, under the powers conferred to it by Antitrust Law approving the Acquisition or confirming that the Acquisition does not require approval (ii) obtaining a decision by the European Commission (including through the lapse of time limits), under the powers conferred to it by Regulation (EU) 2022/2560 of the European Parliament and of the Council of December 14, 2022

on foreign subsidies distorting the internal market (the “**FSR Law**”) approving the Acquisition or confirming that the Acquisition does not require approval and (iii) obtaining an authorization, either unconditional or subject to certain conditions agreed upon under the Transaction Agreement by the TIM Group and NetCo, of the Acquisition by the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*) under the Italian Golden Power Legislation.

On January 16, 2024, TIM and Optics obtained the authorization by the Presidency of the Italian Council of Ministries concerning the Italian Golden Power Legislation subject to certain specific undertakings with reference to, among others, governance, internal organization, planning, compliance, operating permits, security of the networks, continuity of supplies, locations where certain activities can be performed and certain assets can be located, supply chain, intellectual property and information. As of the date of this Exchange Offer Memorandum, TIM has not yet obtained (i) the authorization by the European Commission approving the Acquisition or confirming that the Acquisition does not require approval, and (ii) the authorization from the European Commission, under the powers conferred to it by FSR Law, approving the Acquisition or confirming that the Acquisition does not require approval. See “*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to certain uncertainties and conditions and, as a result, the Acquisition may not be consummated and this may adversely impact the trading in the New Notes and the rating of the Original Notes and New Notes.*”

The consideration for the Acquisition will consist of a base price (the “**Base Price**”) as calculated in accordance with the Transaction Agreement. The Base Price will be adjusted to reflect, among other things, the results of the Exchange Offers. Additionally, the consideration will be adjusted to reflect debt-like items or actions resulting in the loss of cash or other value from NetCo in accordance with the Transaction Agreement (the Base Price, together with any relevant purchase price adjustment, the “**Purchase Price**”).

The Master Services Agreement

Upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into the Master Services Agreement pursuant to which NetCo will provide or procure certain services to TIM (the “**NetCo Services**”) and TIM will provide or procure certain services to NetCo (the “**TIM Services**”) and together with the NetCo Services, the “**Services**”). The NetCo Services mainly encompass: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM’s end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM’s end customers and assurance services for solving faults experience by TIM’s end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and (vi) other minor services. The TIM Services mainly include: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group’s data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo’s employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs.

Without prejudice to the shorter term applicable to certain Services, the Master Services Agreement has a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

According to the MSA, TIM and NetCo shall set up a technical committee (composed of two representatives appointed by each of them) acting as consultancy body with the aim of assessing possible contentions between the parties and overseeing the execution of the Services.

In addition, the MSA includes provisions for penalties should either party fail to meet specified performance parameters, such as KPIs, KPOs, and SLAs.

The Transitional Services Agreement

On the Acquisition Closing Date, TIM and NetCo will enter into a transitional services agreement (the “**Transitional Services Agreement**” or “**TSA**”), which will govern the supply of certain services from TIM to NetCo and from NetCo to TIM for a limited time to help ensure both entities orderly transitions in the context of the separation. The

transitional services to be rendered in accordance with the Transitional Services Agreement consist, *inter alia*, of: (i) IT services regarding certain so-called hybrid systems and (ii) cyber-security services.

Under the TSA, a specific procedure will be provided in order for the receiving party to withdraw from the agreement with respect to one or more transitional services in case it becomes independent in respect thereof (either insourcing the service or acquiring the service from a third-party provider) earlier than applicable contractual term.

Optics Financings

Equity and Rollover Equity Contributions

Optics anticipates financing a portion of the Acquisition through cash equity and contributed rollover equity provided by funds, vehicles, and/or accounts managed or advised by KKR, institutional co-investors and the Italian Ministry of Economy and Finance (the “**MEF**”) of approximately €10,452 million in aggregate, in exchange for new share capital in Optics HoldCo. These funds will then be pushed down through the acquisition structure to Optics in support of the Acquisition.

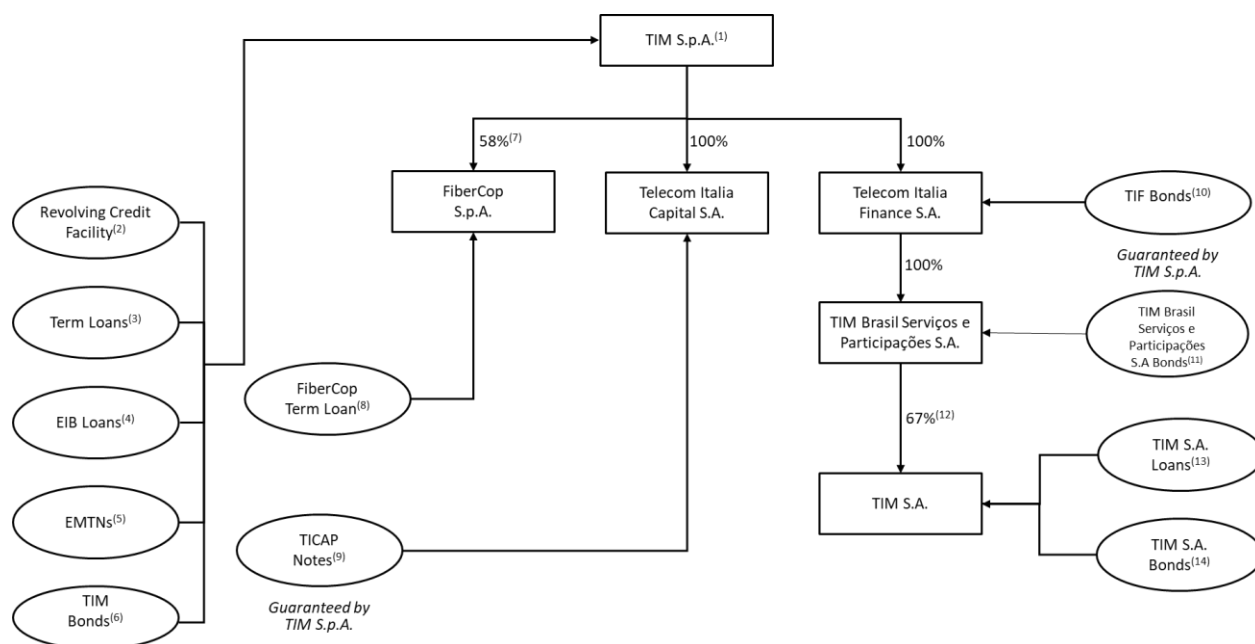
Senior Facilities Agreement and Senior Bridge Facility Agreement

On December 19, 2023, Optics entered into the Senior Facilities Agreement and the Senior Bridge Facility Agreement and on April 8, 2024 Optics entered into amendment and restatement agreements with respect to both facilities. The Senior Facilities Agreement provides a euro term loan facility (the “**TLB**”) and a revolving facility (the “**RCF**”) to Optics as borrower and original guarantor. The Senior Bridge Facility Agreement provides a euro term loan facility (the “**Bridge**”) to Optics as borrower and original guarantor. As of the date of this Exchange Offer Memorandum, the total commitments under the TLB and the Bridge are €4.0 billion and €4.5 billion, respectively (see “*Description of Certain Other Financing Arrangements of the Optics Group—Senior Facilities Agreement and Bridge Facility Agreement*”), and the total commitments under the RCF are €2.0 billion.

Assuming that a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), Optics currently expects to (i) finance a portion of the Acquisition with a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of New Notes issued pursuant to the Acquisition Exchange) and (ii) cancel (subject to lender cancellation opt-out provisions) the Senior Bridge Facility Agreement in full. In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition. See “*Description of Certain Other Financing Arrangements of the Optics Group*.”

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE TIM GROUP AS OF DECEMBER 31, 2023

The following diagram summarizes the TIM Group's expected corporate and principal financing structure without giving effect to the Transactions as of December 31, 2023. The diagram does not include all entities in the TIM Group, nor all of the debt obligations thereof. The following diagram is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in this Exchange Offer Memorandum, including "Capitalization of the TIM Group," "Description of Certain Other Financing Arrangements of the TIM Group."



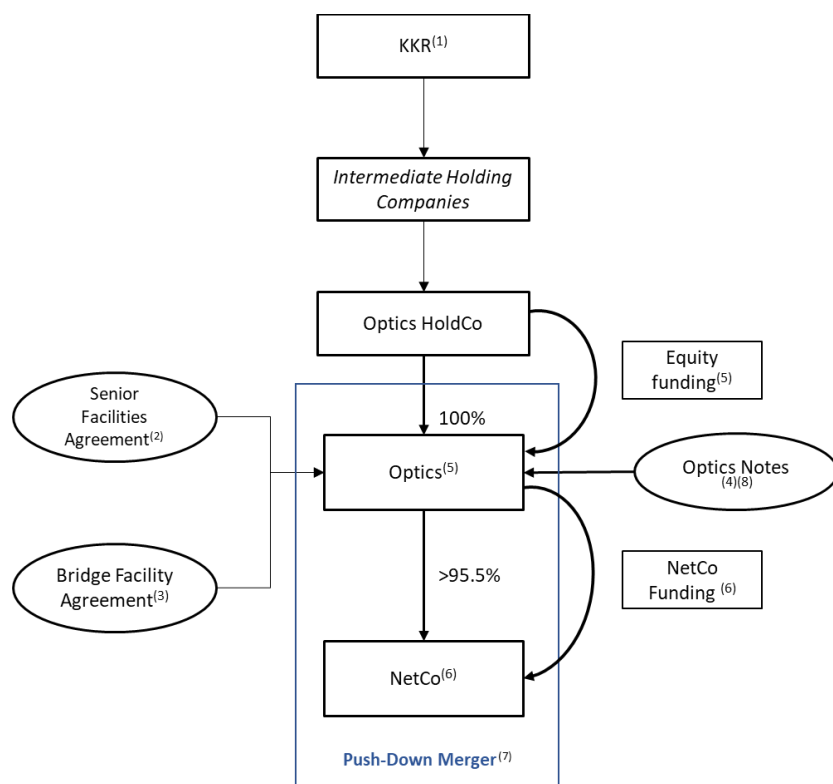
- (1) As of December 31, 2023, Vivendi and Cassa Depositi e Prestiti S.p.A. directly or indirectly hold 23.75% and 9.81%, respectively, of the outstanding share capital of TIM, with the remaining shares held by certain minority investors. See "Principal Shareholders of the TIM Group." The shares of TIM are listed on the *Borsa Italiana* (Milan stock exchange). TIM is a joint stock company (*società per azioni*) and, together with its subsidiaries, is engaged in providing telecommunication services and equipment primarily in the Italian and Brazilian markets.
- (2) The Revolving Credit Facility provides for total commitments in an aggregate principal amount of €4,000 million, and, as of December 31, 2023, was fully undrawn. The obligations of TIM, as borrower, under the Revolving Credit Facility are unsecured and do not benefit from guarantees. See "Description of Certain Other Financing Arrangements of the TIM Group—Revolving Credit Facility" for more details.
- (3) As of December 31, 2023, the aggregate principal amount of outstanding Terms Loans was €2,700 million, which does not reflect (i) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (ii) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024. The obligations of TIM, as borrower, under the Term Loan Agreement are unsecured. See "Description of Certain Other Financing Arrangements of the TIM Group—Term Loans" for more details.
- (4) As of December 31, 2023, the aggregate principal amount outstanding under the EIB Loans was €1,060 million. The obligations of TIM, as borrower, under the 2019 EIB Loan, 2021 Incremental EIB Loan and 2021 EIB Loan are partially secured. The 2023 EIB Loan is backed by a 60% SACE Guarantee and is unsecured. See "Description of Certain Other Financing Arrangements of the TIM Group—EIB Loans" for more details. The EIB Loans include a provision based on which in the event of the disposal of the entire fixed network or a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the TIM Group, or in the event of disposal of the controlling interest in the company in which the fixed network or a substantial part of it has previously been transferred, TIM has undertaken to immediately notify EIB, which, following consultations with TIM, may then opt to demand additional guarantees or amendments to the EIB Loans or to agree to an alternative solution. If such requests are not satisfied within 30 days, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans.
- (5) As of December 31, 2023, the principal amount outstanding under TIM's EMTN Programme was €8,070 million, which does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024 and (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024. The EMTNs (i) are general unsecured obligations of TIM, (ii) rank *pari passu* in right of payment to any existing and future senior indebtedness of TIM, including the TIM Notes; (iii) are senior in right of payment to all future subordinated indebtedness of TIM; (iv) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally

subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM. See “*Description of Certain Other Financing Arrangements of the TIM Group—EMTN Programme*” for more details.

- (6) As of December 31, 2023, the principal amount outstanding of the notes issued by TIM was €2,750 million. The outstanding notes issued by TIM (i) are general unsecured obligations of TIM; (ii) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (iii) are senior in right of payment to all future subordinated indebtedness of TIM; (iv) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of the Issuer. See “*Description of Certain Other Financing Arrangements of the TIM Group—TIM Bonds—Existing Notes*” for more details. The conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes contain provisions relating to certain events constituting a “Network Event” in relation to TIM. Should a “Network Event” occur, each holder of EUR Original February 2028 and the EUR Original July 2028 Notes will be entitled to require TIM to redeem (or, at TIM’s option, to purchase) the EUR Original February 2028 and EUR Original July 2028 Notes held by it (in whole but not in part) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption. However, under the conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes, such “Network Event” will only be triggered if, pro forma for the expected transaction, the “Consolidated Net Leverage Ratio” of the TIM Group exceeds 3.00 to 1.00. As of the date of this Exchange Offer Memorandum, TIM does not expect that, after the Acquisition is consummated and based on current results, the “Network Event” provisions under the EUR Original February 2028 Notes and EUR Original July 2028 Notes will be triggered. See “*Risk Factors—Risks Relating to the Non-Exchanging Holders of the Original Notes—TIM may not be able to obtain the funds required to repurchase or redeem the EUR Original February 2028 or EUR Original July 2028 Notes or certain other outstanding indebtedness upon a Change of Control or a Network Event (each as defined in the conditions of such series of EUR TIM Original Notes) or otherwise in connection with the closing of the Acquisition.*”
- (7) In 2021, Teemo Bidco S.à r.l., an indirect subsidiary of KKR Global Infrastructure Investors III L.P., acquired 37.5% of FiberCop and Fastweb S.p.A. subscribed to 4.5% of FiberCop. Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb’s stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger.
- (8) As of December 31, 2023, the FiberCop Term Loan is fully drawn in an aggregate principal amount of €1,500 million. See “*Description of Certain Other Financing Arrangements of the TIM Group—FiberCop Term Loan*” and “*Summary—Recent Developments*” for more details.
- (9) Telecom Italia Capital, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg*) under number B77970. As of December 31, 2023, the principal amount outstanding TICAP Notes was \$4,000 million. The TICAP Notes are senior unsecured obligations of TICAP and are guaranteed on a senior basis by TIM. See “*Description of Certain Other Financing Arrangements of the TIM Group—TICAP Bonds*” for more details.
- (10) Telecom Italia Finance, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg*) under number B76448. As of December 31, 2023, the principal amount outstanding TIF Bonds was €1,015 million. The TIF Bonds are senior unsecured obligations of TIF and are guaranteed on a senior basis by TIM. See “*Description of Certain Other Financing Arrangements of the TIM Group—TIF Bonds*” for more details.
- (11) As of December 31, 2023, the principal amount outstanding TIM Brasil Serviços e Participações S.A Bond was BRL 5,000 million. The TIM Brasil Serviços e Participações S.A Bond are non-convertible and unsubordinated. See “*Description of Certain Other Financing Arrangements of the TIM Group—TICAP Bonds*” for more details.
- (12) The common shares of TIM S.A. are listed on the *Novo Mercado* segment of the B3 (Brazil stock exchange) and its American Depositary Shares are listed on the New York Stock Exchange.
- (13) As of December 31, 2023, the outstanding amount under the TIM S.A. Loans BRL 1,912 million. See “*Description of Certain Other Financing Arrangements of the TIM Group—TIM S.A. Loans*” for more details.
- (14) As of December 31, 2023, the outstanding amount under the TIM S.A. notes was BRL 1,600 million. The TIM S.A. Notes are senior unsecured obligations of TIM S.A. and are guaranteed on a senior basis by the Issuer See “*Description of Certain Other Financing Arrangements of the TIM Group—TIM S.A. Bonds*” for more details.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE OPTICS GROUP PRO FORMA FOR THE TRANSACTIONS AS OF DECEMBER 31, 2023

The following diagram summarizes the Optics Group expected corporate and principal financing structure after giving effect to the Transactions (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes split with equal principal amounts across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million), based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023). The diagram does not include all the debt obligations of the Optics Group and does not include all the subsidiaries of Optics Holdco S.r.l. The following diagram is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in this Exchange Offer Memorandum, including “*Capitalization of NetCo and Optics*,” “*Description of Certain Other Financing Arrangements of the Optics Group*.”



- (1) Upon the consummation of the Acquisition, funds managed and/or advised by KKR will indirectly exercise sole control over NetCo through a wholly owned subsidiary, expected to be EBLco. On or after the Acquisition Closing Date, it is expected that Azure Vista C 2020 S.à r.l. (“**Azure Vista**”) an investment vehicle indirectly wholly-owned by the Abu Dhabi Investment Authority, 13545369 Canada Inc., an investment vehicle formed by the Canada Pension Plan Investment Board (“**CPPIB**”), F2i (Fondi Italiani per le Infrastrutture) SGR S.p.A. (“**F2i**”) and the MEF will invest for a stake of up to approximately 17.5%, 17.5%, 11% and 16% of Optics HoldCo, respectively. The final stakes of their respective investments will depend on the actual equity capital needed at completion of the Transactions.
- (2) The Senior Facilities Agreement provides for aggregate borrowings of up to €4,000,000,000, maturing five years following initial utilization. See “*Description of Certain Financing Arrangements of the Optics Group—Senior Facilities Agreement and Bridge Facility Agreement—Senior Facilities Agreement*.”
- (3) The Senior Bridge Facility Agreement provide for aggregate borrowings of up to €4,500,000,000, maturing two years following initial utilization. See “*Description of Certain Financing Arrangements of the Optics Group—Senior Facilities Agreement and Bridge Facility Agreement—Bridge Facility Agreement*.”
- (4) The Optics Notes will be general, senior secured obligations of Optics, will rank senior in right of payment to all of Optics’ future debt that is expressly subordinated in right of payment to the Optics Notes and will rank *pari passu* in right of payment with Optics’ existing and future debt that is not so subordinated. On the Optics Notes Issue Date, the Optics Notes will be secured, subject to certain perfection requirements, by the Optics Notes Issue Date Collateral. Within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred, the Optics Notes will be secured, subject to certain agreed security principles, certain material limitations under applicable laws and certain perfection requirements, by the Optics Notes Post-Issue Collateral. Upon completion of the Push-Down Merger, NetCo will no longer be a separate legal entity and any Funding Loan and security interests over Optics’ receivables in respect of any such Funding Loan will automatically cease to exist and, to the extent that NetCo is the successor company of the Push-Down Merger, the security interests over the

share capital of Optics will be extinguished by operation of law and the USD Optics Notes will instead be secured by the pledge on the shares held by Optics in NetCo as entity resulting from the Push-Down Merger. In the event that the Push-Down Merger cannot be effected with the security interests over the shares in NetCo and/or intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into the Optics Notes Replacement Collateral. The Optics Notes Collateral may be subject to release under certain circumstances. For further information, see “*Description of the USD Optics Notes—Security.*”

- (5) The Acquisition is expected to be financed with (a) equity and rollover equity contributions to be provided by funds, vehicles and/or accounts managed or advised by KKR, institutional co-investors and the MEF of approximately €10,452 million in aggregate and (b) assuming that a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million) (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition.
- (6) In 2021, Teemo Bidco S.à r.l., an indirect subsidiary of KKR Global Infrastructure Investors III L.P., acquired 37.5% of FiberCop and Fastweb S.p.A. subscribed to 4.5% of FiberCop. Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb’s stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. The €1,500,000,000 facilities agreement entered into on December 23, 2021 between NetCo, as borrower, and certain lenders set out therein (the “**FiberCop Term Loan**”) is expected to be repaid on or about the Acquisition Closing Date. The Senior Facilities Agreement and the Senior Bridge Facility Agreement include an undertaking for Optics to procure the repayment of the FiberCop Term Loan within 60 days of completion of the Acquisition. See “*Description of Certain Financing Arrangements of the Optics Group,*” and “*—Recent Developments—FiberCop Term Loan Waiver.*” The repayment of (i) the FiberCop Term Loan and (ii) any amount outstanding under the existing intercompany loan originally granted on March 31, 2021 by TIM to NetCo (the “**FiberCop Intercompany Loan**”), will be carried out by means of either (x) an intercompany loan to be granted from Optics to NetCo Agreement (the “**Funding Loan**”) and/or (y) an equity contribution made by Optics to NetCo in exchange for newly issued shares in NetCo (collectively, the “**NetCo Funding**”), in each case of (x) and (y) above applying a portion of the proceeds of the Senior Facilities Agreement and the Senior Bridge Facility (if applicable).
- (7) Optics is a holding company incorporated under the laws of Italy as a joint stock company (*società per azioni*). Optics is currently not expected to engage in any activities other than those related to the Transactions, the management of NetCo following the Acquisition and any other future potential transactions. Following the Acquisition Closing Date, Optics intends to use commercially reasonable endeavours, subject to any relevant approval and/or authorization by any competent authority, to merge Optics with NetCo in accordance with applicable provisions of Italian law and as further described herein, with NetCo being the incorporating entity; the Push-Down Merger is expected to be approved during the six months following the Acquisition Closing Date. See “*Description of the USD Optics Notes—Push-Down Merger.*” The Push-Down Merger will be subject to certain conditions and requirements and may not be completed. See “*Risk Factors—Risks Relating to the Optics Notes—Optics may be unable to complete the Push-Down Merger within the anticipated time-frame, or at all.*”
- (8) On the Optics Notes Issue Date, the Optics Notes will not be guaranteed. Optics shall procure that, subject to certain agreed security principles and certain material limitations pursuant to applicable laws, NetCo guarantees the Optics Notes within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred. See “*Risk Factors—Risks Relating to the Optics Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the guarantee may adversely affect the validity and enforceability of the NetCo Guarantee.*” Upon completion of the Push-Down Merger, Optics will be incorporated into NetCo and therefore cease to exist and NetCo will become the surviving issuer of the Optics Notes and, if granted, the NetCo Guarantee will be extinguished by operation of law. See “*Description of the USD Optics Notes—Guarantee.*” The NetCo Guarantee will be subject to certain material contractual and legal limitations. See “*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations,*” “*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*” The guarantee of NetCo will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See “*Description of Certain Financing Arrangements of the Optics Group—Intercreditor Agreement*” and “*Description of the USD Optics Notes—Guarantee.*”

SUMMARY OF THE USD NEW NOTES

[REDACTED]

SUMMARY OF THE USD OPTICS NOTES

[REDACTED]

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION AND PRO FORMA CARVE-OUT OF THE TIM GROUP

The summary historical consolidated financial information and other data set forth below is the consolidated financial data of the TIM Group as of and for each of the years ended December 31, 2023, 2022 and 2021, which has been extracted or derived from the applicable TIM Audited Consolidated Financial Statements.

This section should be read in conjunction with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in “*Presentation of Financial and Other Information*,” “*Summary*,” “*Use of Proceeds*,” “*Capitalization of the TIM Group*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*,” and “*Business of the TIM Group*.”

Summary Consolidated Income Statement

	For the year ended December 31,		
	2023	2022 (audited)	2021
(€m)			
Revenues	16,296	15,788	15,316
of which: service revenues	14,953	14,600	13,905
Other income	206	213	272
Total operating revenues and other income	16,502	16,001	15,588
Acquisition of goods and services	(7,518)	(7,239)	(6,550)
Employee benefits expenses	(2,987)	(3,180)	(2,941)
Other operating expenses	(872)	(816)	(1,502)
Changes in inventories	47	22	10
Internally generated assets	538	559	475
EBITDA	5,710	5,347	5,080
of which: impact of non-recurring items	(673)	(682)	(1,143)
Depreciation and amortization	(4,863)	(4,777)	(4,490)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(11)	36	(4,119)
Operating profit (loss) (EBIT)	836	606	(3,529)
of which: impact of non-recurring items	(676)	(682)	(5,263)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	24	229	164
Finance income	1,095	1,115	1,124
Finance expenses	(2,835)	(2,538)	(2,274)
Profit (loss) before tax from continuing Operations	(880)	(588)	(4,515)
of which: impact of non-recurring items	(669)	(490)	(5,144)
Income tax expense	(227)	(2,066)	(3,885)
Profit (loss) from continuing operations	(1,107)	(2,654)	(8,400)
Profit (loss) from Discontinued operations/non-current assets held for sale	-	-	-
Profit (loss) for the period	(1,107)	(2,654)	(8,400)
Of which: impact of non-recurring items	(670)	(2,437)	(8,653)

Summary Consolidated Statement of Financial Position

(€m)	As of December 31,		
	2023	2022 (audited)	2021
Cash and cash equivalents	2,912	3,555	6,904
Property, plant and equipment owned	14,692	14,100	13,311
Total assets	62,159	62,027	69,187
Total equity	17,513	18,725	22,039
Total liabilities	44,646	43,302	47,148

Summary Consolidated Statement of Cash Flows

(€m)	As of December 31,		
	2023	2022 (audited)	2021
Cash flows from/(used in) operating activities.....	3,944	4,895	4,336
Cash flows from/(used in) investing activities	(4,149)	(5,335)	(5,117)
Cash flows from/(used in) financing activities.....	(456)	(2,869)	3,164
Cash flows from/(used in) Discontinued operations/Non-current assets held for sale	-	-	-
Aggregate cash flows	(661)	(3,309)	2,383

Other Financial Data

(€m)	For the year ended December 31,		
	2023	2022 (unaudited, unless stated otherwise)	2021
Revenues	16,296	15,788	15,316
of which: service revenues ⁽¹⁾	14,953	14,600	13,905
EBITDA ^{(2)*}	5,710	5,347	5,080
EBITDA-AL ^{(2)*}	4,631	4,313	4,261
Capital Expenditures ⁽³⁾	3,982	4,077	4,630
Capital Expenditures (net of spectrum) ^{(3)*}	3,982	3,979	3,826
Operating free cash flow ^{(4)*}	2,601	(625)	1,444
Operating free cash flow (net of licenses) ^{(4)*}	2,649 ⁽⁵⁾	1,617 ⁽⁵⁾	1,879 ⁽⁵⁾

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of the TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

- (1) Service revenue represents revenues for voice and data services on fixed and mobile networks for retail customers and for other wholesale operators.
- (2) EBITDA represents operating profit (loss) before depreciation and amortization expenses, capital gains (losses) and impairment reversals (losses) on non-current assets. EBITDA-AL represents EBITDA adjusted for lease payments. See "*Certain Pro Forma and As Adjusted Financial Data*" table below on reconciliation of the TIM Group's Profit (loss) for the year to EBITDA and of EBITDA to EBITDA-AL for the periods presented.
- (3) Capital Expenditures represents capital expenditures on an accrual basis. Capital Expenditures (net of spectrum) represents capital expenditures less Capital Expenditures on an accrual basis on TLC licenses for the use of frequencies. See "*Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of the TIM Group's Capital Expenditures to Capital Expenditures (net of spectrum) for the periods presented.
- (4) Operating Free Cash Flow represents EBITDA less capital expenditures, change in working capital. Operating Free Cash Flow (net of licenses) represents Operating Free Cash Flow, further adjusted for payment of TLC licenses and for the use of frequencies. See "*Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of the TIM Group's Operating Free Cash Flow to Operating Free Cash Flow (net of licenses) for the periods presented.
- (5) Operating free cash flow (net of licenses) is not adjusted for lease payments.

Net Financial Debt

(€m)	As of and for the year ended December 31,		
	2023	2022	2021
	(unaudited, unless stated otherwise)		
Cash and cash equivalents	(2,912)	(3,555)	(6,904)
Net Financial Debt Carrying amount ^{(1)*}	25,776	25,370	22,416
Adjusted Net Financial Debt ^{(2)*}	25,656	25,364	22,187
Adjusted Net Financial Debt-AL ^{(3)*}	20,349	20,015	17,573

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of the TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

- (1) Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale).
- (2) Adjusted Net Financial Debt represents the Net Financial Debt Carrying Amount, 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 nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.
- (3) Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. See "*Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of gross financial debt to Adjusted Net Financial Debt-AL for the periods presented.

Organic EBITDA-AL, Organic EBITDA-AL Margin

(€m, except ratios and percentages)	As of and for the year ended December 31, 2023
	(unaudited)
Organic EBITDA-AL ^{(1)*}	5,304
Organic EBITDA-AL Margin ^{(2)*}	32.55%
Adjusted Net Financial Debt-AL ^{(3)*}	20,349
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL.....	3.83x

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

- (1) Organic EBITDA-AL represents EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. See table below for a reconciliation of the TIM Group's EBITDA to Organic EBITDA-AL for the periods presented.
- (2) Organic EBITDA-AL Margin represents the ratio of Organic EBITDA-AL to Organic Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.
- (3) Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. See table below for a reconciliation of gross financial debt to Adjusted Net Financial Debt-AL for the periods presented. The Adjusted Net Financial Debt-AL includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. See "*Regulation of the TIM Group—Regulatory Levies*" and "*Regulation of NetCo—Regulatory Levies*."

Reconciliation of Profit (loss) for the period to EBITDA and of EBITDA to EBITDA-AL

EBITDA-AL represents EBITDA adjusted for lease payments. The following table provides a reconciliation of the TIM Group's Profit (loss) for the year to EBITDA and of EBITDA to EBITDA-AL for the periods presented:

(€m)	For the year ended December 31,		
	2023	2022	2021
	(unaudited, unless stated otherwise)		
Profit (loss) for the period	(1,107)	(2,654)	(8,400)
Profit (loss) from Discontinued operations/non-current assets held for sale	—	—	—
Income tax expense	227	2,066	3,885
Finance expenses	2,835	2,538	2,274
Finance income	(1,095)	(1,115)	(1,124)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	(24)	(229)	(164)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	11	(36)	4,119
Depreciation and amortization	4,863	4,777	4,490
EBITDA	5,710	5,347	5,080
Lease payments*	(1,079)	(1,034)	(819)
EBITDA-AL	4,631	4,313	4,261

(*) Adjusted for lease payments during the period on a historical basis. The year ended December 31, 2021 is not presented on a comparable base with December 31, 2022.

Reconciliation of Capital Expenditures to Capital Expenditures (net of spectrum)

Capital Expenditures (net of spectrum) represents capital expenditures less Capital Expenditures on an accrual basis on TLC licenses for the use of frequencies. The following table provides a reconciliation of the TIM Group's Capital Expenditures to Capital Expenditures (net of spectrum) for the periods presented:

(€m)	For the year ended December 31,		
	2023	2022	2021
	(unaudited, unless stated otherwise)		
Capital Expenditures (on accrual basis)	3,982	4,077	4,630
of which spectrum *	-	98	804
Capital Expenditures (net of spectrum)*	3,982	3,979	3,826

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

Reconciliation of EBITDA to Operating Free Cash Flow (net of licenses)

Operating Free Cash Flow represents EBITDA less capital expenditures, change in working capital. Operating Free Cash Flow (net of licenses) represents Operating Free Cash Flow, further adjusted for payment of TLC licenses and for the use of frequencies. The following table provides a reconciliation of the TIM Group's Operating Free Cash Flow to Operating Free Cash Flow (net of licenses) for the periods indicated:

(€m)	For the year ended December 31,		
	2023	2022	2021
	(unaudited, unless stated otherwise)		
EBITDA(*)	5,710	5,347	5,080
Capital Expenditures (on accrual basis)	(3,982)	(4,077)	(4,630)
Change in working capital ^(*) (1)	873	(1,895)	994

Operating Free Cash Flow^(*)	2,601	(625)	1,444
of which payment of TLC licenses and for the use of frequencies ^(*) (2)	48	2,242	435
Operating Free Cash Flow (net of licenses) ^(*)(3)	2,649	1,617	1,879

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Change in working capital represents changes in inventories, trade receivables and other net receivables, trade payables, payables for mobile telephone licenses/spectrum, changes in operating receivables/payables, change in provisions for employee benefits, and operating provisions and other changes.

(2) Represents the payment for licenses for telecommunications frequencies and related commitments in Italy and Brazil.

(3) This measure is not adjusted for lease payments.

Reconciliation of gross financial debt to Adjusted Net Financial Debt-AL

Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale). Adjusted Net Financial Debt represents the Net Financial Debt Carrying Amount, 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 nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities. Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16.

The following table shows the composition of gross financial debt and provides a reconciliation of gross financial debt to Adjusted Net Financial Debt-AL for the periods presented:

	As of December 31,		
	2023	2022	2021
(€m)		(unaudited)	
Bonds	18,563	18,058	20,895
Amounts due to banks, other financial payables and liabilities	8,492	8,720	8,487
Financial liabilities for lease contracts	5,581	5,467	4,715
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-
Gross financial debt^(*)	32,636	32,245	34,097
Financial assets	6,860	6,875	11,681
of which: cash and cash equivalents	2,912	3,555	6,904
Net Financial Debt Carrying Amount^(*)	25,776	25,370	22,416
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(120)	(6)	(229)
Adjusted Net Financial Debt	25,656	25,364	22,187
Leasing ⁽¹⁾	(5,307)	(5,349)	(4,614)
Adjusted Net Financial Debt-AL	20,349	20,015	17,573

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Aggregate amount of leases under IFRS 16.

Reconciliation of EBITDA to Organic EBITDA-AL

Organic EBITDA-AL represents EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. The following table provides a reconciliation of the TIM Group's EBITDA to Organic EBITDA-AL for the periods presented:

	For the year ended December 31, 2023
(€m)	(unaudited)
EBITDA^(*)	5,710
Non-recurring expenses/(income) ⁽¹⁾	673
Lease payments	(1,079)
Organic EBITDA-AL^{(*) (2)}	5,304

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

(1) Non-recurring expenses/(income) relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Non-recurring charges include, among others, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization/restructuring and prior-year adjustments. Specifically, non-recurring events for the year ended December 31, 2023 include:

- (i) €189 million relating to (a) charges mainly connected to disputes, settlements, regulatory sanctions and potential liabilities related to them, (b) the update of contractual risk provisions for onerous contracts (IAS 37) relating to an existing multi-year relationship, (c) other non-recurring expenses associated with agreements and the development of non-recurring projects (d) non-recurring income associated with the recovery of certain operating expenses.
- (ii) €484 million benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the corporate reorganization and restructuring processes, in accordance with the application of Article 4 of Italian Law No. 92 of June 28, 2012 and the former Article 41, subsection 5bis, of Italian Legislative Decree No. 148/2015, and agreements signed during the year ended December 31, 2022, with certain trade unions relating to the Italian companies comprising the Domestic Business Unit.
- (iii) €3 million associated with net capital losses from the sale of non-current assets.

(2) Organic EBITDA for any of the periods presented equals Organic EBITDA-AL, with the above adjustment for lease payments added back in. Organic EBITDA-AL represents EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments.

The financial information set forth below are derived from the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of financial position of the TIM Group as of and for the year ended December 31, 2023. The pro forma financial information of the TIM Group gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of the TIM Group to reflect the exclusion of the NetCo assets, FiberCop, Telenergia, an assumed debt transfer as part of the Exchange Offers, the unwinding of the relevant hedge contracts, an assumed cash-in from the Acquisition including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, the repayment of the FiberCop Intercompany Loan and certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

This section should be read in conjunction with the TIM Unaudited Consolidated Pro Forma Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in "Presentation of Financial and Other Information," "Summary," "Use of Proceeds," "Capitalization of the TIM Group," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group," and "Business of the TIM Group."

Summary Unaudited Consolidated Pro Forma Income Statement

	For the year ended December 31, 2023
(€m)	(unaudited)
Revenues	14,436
Other income.....	116
Acquisition of goods and services	(8,673)
Employee benefits expenses	(1,972)
Other operating expenses/Changes in inventories/Internally generated assets.....	(413)
EBITDA	3,494
Depreciation and amortization/Gains(losses) on disposals and impairment reversals (losses) on non-current assets	(3,350)
Operating profit (loss) (EBIT)	144
Other income (expenses) from investments	24
Finance income (expenses), net	(997)
Profit (loss) before tax from continuing Operations	(829)
Income tax expense	(191)
Profit (loss) from continuing operations	(1,020)
Profit (loss) from Discontinued operations/Non-current assets held for sale	-
Profit (loss) for the year	(1,020)

Summary Unaudited Consolidated Pro Forma Statement of Financial Position

	As of December 31, 2023
(€m)	(unaudited)
Total Non-Current Assets	29,848
Net Working Capital	(4,618)
Net Invested Capital^(*)	25,230

(*) Net Invested Capital represents Total Non-Current Assets plus Net Working Capital and is the sum of Invested Capital, plus Net Financial Debt.

Other Pro Forma Financial Data

(Pro Forma) (€m)	For the year ended December 31, 2023
	(unaudited, unless stated otherwise)
Revenue	14,436
EBITDA ^{(1)(*)}	3,494
EBITDA-AL ^{(1)(*)}	2,778
Capital Expenditures ⁽²⁾	2,168
Capital Expenditures (net of spectrum) ^{(2)(*)}	2,168

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Pro Forma EBITDA represents the TIM Group's operating profit (loss) before depreciation and amortization expenses, capital gains (losses) and impairment reversals (losses) on non-current assets, on a pro forma basis for the Transactions. Pro Forma EBITDA-AL represents the TIM Group's Pro Forma EBITDA adjusted for lease payments. See "—Certain Pro Forma and As Adjusted Financial Data" table below on reconciliation of the TIM Group's Profit (loss) for the year to Pro Forma EBITDA and of Pro Forma EBITDA to Pro Forma EBITDA-AL for the periods presented.

(2) Pro Forma Capital Expenditures represents capital expenditures on an accrual basis. Pro Forma Capital Expenditures (net of spectrum) represents capital expenditures less Pro Forma Capital Expenditures on an accrual basis on TLC licenses for the use of frequencies. Pro Forma Capital Expenditures and Pro Forma Capital Expenditures (net of spectrum) are identical for the year ended December 31, 2023, since no capital expenditures relating to TLC licenses for the use of frequencies were incurred during that year. See "—Certain Pro Forma and As Adjusted Financial Data" table below for a reconciliation of the TIM Group's Pro Forma Capital Expenditures to Pro Forma Capital Expenditures (net of spectrum) for the periods presented.

Pro Forma Net Financial Debt

(Pro Forma) (€m)	As of and for the year ended December 31, 2023 ⁽¹⁾
	(unaudited, unless stated otherwise)
Cash and cash equivalents ^{(2)(*)}	(10,872)
Net Financial Debt Carrying amount ^{(3)(*)}	10,182
Adjusted Net Financial Debt ^{(4)(*)}	10,113

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

(2) Reflects the assumed cash in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, but excludes payment by the TIM Group of any early bird premium or participation premium of, in each case, \$2.50 per \$1,000 or €2.50 per €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange. For the purposes of calculating the cash-in from the Acquisition, which depends, among other factors, on the results of the Exchange Offers, the management assumed that the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023). This measure does not reflect the drawdown under the TIM Term Facility Agreement of an amount equal to €1.5 billion on April 10, 2024. If the Initial Exchange is subscribed below the Total Cap, or if no or fewer New Notes are issued pursuant to the Initial Exchange, the cash purchase price of the Acquisition will increase commensurately. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement, the date on which the Acquisition is consummated, ongoing operations of the TIM Group and the other matters set forth in this footnote. The Pro Forma Cash and Cash equivalents do not reflect any adjustments in respect of the order of seizure issued on February 2, 2024 by the preliminary investigation judge (*giudice per le indagini preliminari*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. See "Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Legislative and Legal Framework—The TIM Group is exposed to risks in connection with fraud."

- (3) Pro Forma Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale).
- (4) Pro Forma Adjusted Net Financial Debt represents the Pro Forma Net Financial Debt Carrying Amount, 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 Pro Forma Adjusted Net Financial Debt excludes these purely accounting and nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Certain Pro Forma and As Adjusted Financial Data

(Pro Forma) (€m, except ratios)	As of and for the year ended December 31, 2023 (unaudited)
Organic EBITDA-AL ^{(1)(*)}	3,450
Organic EBITDA-AL Margin ^{(2)(*)}	23.90%
Adjusted Net Financial Debt-AL ^{(3)(*)}	6,581
Net finance expenses ⁽⁴⁾	(997)
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL.....	1.91x
Ratio of Organic EBITDA-AL to Net finance expenses).....	3.46x

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

- (1) Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. See table below for a reconciliation of the TIM Group's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented.
- (2) Pro Forma Organic EBITDA-AL Margin represents the ratio of Pro Forma Organic EBITDA-AL to Pro Forma Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.
- (3) Pro Forma Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt, after giving *pro forma* effect to Transactions. The Pro Forma Adjusted Net Financial Debt-AL excludes the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. The Adjusted Net Financial Debt-AL includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. See "*Risk Factors—Risks related to the TIM Group's Financial Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.*"
- (4) *Pro forma* Net finance expenses represents Net finance expenses, after giving *pro forma* effect to the Transactions (assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023). For presentational purposes, euro equivalents of dollar denominated indebtedness have been converted using an exchange rate of \$1.0857 per €1.00, which is the exchange rate used for TIM Group's balance sheet as of December 31, 2023. The actual amounts accepted in each of the US Exchange and EUR Exchange may vary substantially. *Pro forma* Net finance income/(expenses) is presented for illustrative purposes only and does not purport to be what the Issuer's interest expense would have actually been had these transactions occurred on the date assumed, nor does it purport to project the Issuer's interest expense for any future period or TIM Group's financial condition at any future date. *Pro forma* Net finance income/(expenses) does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

Reconciliation of Pro Forma Profit (loss) for the period to Pro Forma EBITDA and of Pro Forma EBITDA to Pro Forma EBITDA-AL

Pro Forma EBITDA-AL represents Pro Forma EBITDA adjusted for lease payments. The following table provides a reconciliation of the TIM Group's Pro Forma Profit (loss) for the year to Pro Forma EBITDA and of Pro Forma EBITDA to Pro Forma EBITDA-AL for the periods presented:

	For the year ended December 31, 2023
	(unaudited, unless stated otherwise)
(€m)	
Profit (loss) for the year	(1,020)
Income tax expense.....	(191)
Finance income (expenses), net	(997)
Other income (expenses) from investments	24
Depreciation and amortization / Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(3,350)
EBITDA	3,494
Lease payments ^(*)	(716)
EBITDA-AL	2,778

(*) Adjusted for lease payments during the period on a historical basis.

Reconciliation of Pro Forma gross financial debt to Pro Forma Adjusted Net Financial Debt-AL

Pro Forma Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale). Pro Forma Adjusted Net Financial Debt represents the Pro Forma Net Financial Debt Carrying Amount, 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 Pro Forma Adjusted Net Financial Debt excludes these purely accounting and nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities. Pro Forma Adjusted Net Financial Debt-AL represents Pro Forma Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16.

The following table shows the composition of gross financial debt and provides a reconciliation of gross financial debt to Pro Forma Adjusted Net Financial Debt-AL for the periods presented:

	As of December 31, 2023
	(unaudited)
(Pro Forma)	
(€m)	
Bonds	13,551
Amounts due to banks, other financial payables and liabilities.....	7,253
Financial liabilities for lease contracts	3,634
Gross financial debt^(*)(1)	24,438
Financial assets	(14,256)
of which: cash and cash equivalents	(10,872)
Net Financial Debt Carrying Amount^(*)	10,182
Reversal of fair value measurement of derivatives and related financial liabilities/assets ..	(69)
Adjusted Net Financial Debt	10,113
Leases ⁽²⁾	(3,532)
Adjusted Net Financial Debt-AL	6,581

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's

operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See “*Presentation of Financial and Other Information.*”

- (1) Pro Forma Gross Financial Debt has been calculated assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023). Pro Forma Gross Financial Debt does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.
- (2) Aggregate amount of leases under IFRS 16.

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL

Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. The following table provides a reconciliation of the TIM Group’s Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(Pro Forma)	For the year ended December 31,
(€m)	2023
	(unaudited)
EBITDA^(*)	3,494
Non-recurring expenses/(income) ⁽¹⁾ and other estimated normalization items ⁽²⁾	671
Lease payments ⁽³⁾	(716)
Organic EBITDA-AL^(*)(4)	3,450

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group’s operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See “*Presentation of Financial and Other Information.*”

(1) Non-recurring expenses/(income) relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Non-recurring charges include, among others, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization/restructuring and prior-year adjustments. Specifically, non-recurring events for the year ended December 31, 2023 include:

- (i) €174 million for charges mainly connected to disputes, regulatory sanctions and potential liabilities related to them, the update of the contractual risk provision for onerous contracts (IAS 37) relating to an existing multi-year relationship as well as agreements and the development of non-recurring projects and the recovery of operating costs;
- (ii) €445 million for employee benefit expenses also connected to the application of the Art. 4 of Law June 28, 2012 no. 92, as per the agreements signed with the trade unions by Domestic Business Unit companies.

(2) Estimated normalization items refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM’s management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

- (i) certain personnel costs relating to the social shock absorbers (“*contratto di espansione*”) incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to €37 million;
- (ii) provision accruals for litigations & disputes and related legal costs amounted to €10 million;
- (iii) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to €5 million.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business.

(3) Lease payments refer to the actual cash outflows incurred in the year related to lease contracts.

(4) Pro Forma Organic EBITDA for any of the periods presented equals Pro Forma Organic EBITDA-AL, with the above adjustment for lease payments added back in. Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments.

SUMMARY FINANCIAL AND OTHER PRO FORMA CARVE-OUT INFORMATION OF NETCO AND OPTICS

The summary financial information and other data set forth below is the unaudited pro forma combined financial data of NetCo as of and for each of the years ended December 31, 2023 and 2022, which has been extracted or derived from the applicable NetCo Unaudited Combined Pro Forma Carve-out Financial Information.

This section includes certain data, on a pro forma basis for the Transactions, relating to the Optics Group. These data have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition.

This section should be read in conjunction with NetCo Unaudited Combined Pro Forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in “Presentation of Financial and Other Information,” “Summary,” “Capitalization of NetCo and Optics,” “Management’s Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo.”

Summary Unaudited Consolidated Pro Forma Carve-out Income Statement of NetCo

(Pro Forma) (€m)	For the year ended December 31,	
	2023	2022
	(unaudited)	
Revenues	3,977	3,858
Other income.....	240	244
Acquisition of goods and services	(959)	(961)
Employee benefits expenses	(1,015)	(1,050)
Other operating expenses/Changes in inventories/Internally generated assets.....	110	117
EBITDA	2,353	2,208
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)	(1,535)
Operating profit (EBIT)	780	673
Finance income (expenses), net	(336)	(239)
Profit before tax from continuing operations	444	434
Income tax expense.....	(133)	(130)
Profit from continuing operations	311	304
Profit for the year	311	304

Summary Unaudited Consolidated Pro Forma Carve-out Statement of Financial Position of NetCo

(Pro Forma) (€m)	As of December 31, 2023
	(unaudited)
Total Non-Current Assets	13,118
Net Working Capital	(1,891)
Net Invested Capital^(*)	11,227

(*) Net Invested Capital represents Total Non-Current Assets plus Net Working Capital and is the sum of Invested Capital, plus Net Financial Debt (as shown under NetCo Unaudited Combined Pro Forma Carve-out Financial Information and not under “Capitalization of NetCo and Optics”).

The financial information set forth below is derived from the consolidated carve-out income statements and consolidated carve-out statement of financial position of the NetCo as of and for the years ended December 31, 2023 and 2022. The pro forma combined financial information of NetCo gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of NetCo to reflect certain adjustments including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date.

This section should be read in conjunction with the NetCo Unaudited Combined Pro Forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in “Presentation of Financial and Other Information,” “Summary,” “Capitalization of NetCo and Optics,” “Management’s Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo,” and “Business of NetCo.”

Certain Pro Forma Data of NetCo

(Pro Forma) (€m, except percentages)	As of and for the year ended December 31, 2023	
	(unaudited)	
Capital Expenditures ^{(1)(*)}	1,814	
Operating free cash flow ^{(2)(*)}	680	
Organic EBITDA-AL ^{(3)(*)}	1,948	
Organic EBITDA-AL Margin ^{(4)(*)}	48.98%	
Adjusted Net Financial Debt-AL ^{(5)(*)}	3,409	

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo’s operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See “Presentation of Financial and Other Information.”

(1) Pro Forma Capital Expenditures represents pro forma capital expenditures on an accrual basis.

(2) Pro Forma Operating Free Cash Flow represents Pro Forma EBITDA less pro forma capital expenditures, change in working capital.

(3) Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA adjusted for, where applicable, certain items excluded from the transaction perimeter but considered normal ongoing expenses, non-recurring events and transactions and lease payments. See table below for a reconciliation of the NetCo’s Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented.

(4) Pro Forma Organic EBITDA-AL Margin represents the ratio of Pro Forma Organic EBITDA-AL to Pro Forma Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.

(5) Pro Forma Adjusted Net Financial Debt-AL represents Pro Forma Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. See table below for a reconciliation of gross financial debt to Pro Forma Adjusted Net Financial Debt-AL for the periods presented. See “Capitalization of NetCo and Optics.” This measure does not include the debt to be incurred in connection with the Transactions which will sit at Optics pending the Push-Down Merger.

Reconciliation of Pro Forma Profit (loss) for the period to Pro Forma EBITDA of NetCo

The following table provides a reconciliation of NetCo’s Pro Forma Profit for the year to Pro Forma EBITDA for the periods presented:

(Pro Forma) (€m)	For the year ended December 31,	
	2023	2022
	(unaudited, unless stated otherwise)	
Profit for the year	311	304
Income tax expense	133	130
Finance income (expenses), net	336	239
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	1,573	1,535

(Pro Forma)
(€m)

For the year ended December 31,

	2023	2022
	(unaudited, unless stated otherwise)	
EBITDA	2,353	2,208

Reconciliation of Pro Forma gross financial debt to Pro Forma Adjusted Net Financial Debt-AL of NetCo

Pro Forma Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale). Pro Forma Adjusted Net Financial Debt represents the Pro Forma Net Financial Debt Carrying Amount, 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 Pro Forma Adjusted Net Financial Debt excludes these purely accounting and nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities. Pro Forma Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16.

The following table shows the composition of gross financial debt of NetCo and provides a reconciliation of gross financial debt to Pro Forma Adjusted Net Financial Debt-AL for the periods presented:

(Pro Forma)
(€m)

As of December 31, 2023

(unaudited)

Bonds	-
Amounts due to banks, other financial payables and liabilities.....	3,584
Financial liabilities for lease contracts	2,328
Gross financial debt^(*)	5,912
Financial assets	(356)
of which: cash and cash equivalents	(152)
Net Financial Debt Carrying Amount^(*)	5,556
Reversal of fair value measurement of derivatives and related financial liabilities/assets	-
Adjusted Net Financial Debt	5,556
Leases ⁽¹⁾	(2,147)
Adjusted Net Financial Debt-AL	3,409

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Aggregate amount of leases under IFRS 16.

Reconciliation of Pro Forma EBITDA to Pro Forma Operating Free Cash Flow of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented:

(Pro Forma)
(€m)

For the year ended December 31,

2023

(unaudited)

EBITDA	2,353
Change in inventories.....	(11)
Change in trade receivables	(60)
Change in trade payables	217

(Pro Forma) (€m)	For the year ended December 31, 2023	
	(unaudited)	
Change other operating assets / liabilities		2
Change in provision		5
Change in provision for employee benefits		(12)
Capital expenditures		(1,814)
Operating Free Cash Flow^(*)		680
Lease payments		(370)
Operating Free Cash Flow-AL^(*)		310

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) These measures are based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

No pro-forma statement of cash flows has been prepared for the year ended December 31, 2023, as, under the circumstances, it would not provide useful information to investors. The above table provides a reconciliation of NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented, which is based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(Pro Forma) (€m)	For the year ended December 31,	
	2023	2022
	(unaudited)	
EBITDA	2,353	2,208
Estimated normalization items ⁽¹⁾	(52)	(59)
Non-recurring expenses ⁽²⁾	17	13
Lease payments ⁽³⁾	(370)	(351)
Organic EBITDA-AL^(*)	1,948	1,812

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) Estimated normalization items refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

- certain personnel costs relating to the social shock absorbers (*contratto di espansione*) incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to €37 million and €42 million for the years ended December 31, 2023 and 2022, respectively;
- provision accruals for litigations & disputes and related legal costs amounted to €10 million and €9 million for the years ended December 31, 2023 and 2022, respectively; and
- provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to €5 million and €8 million for the years ended December 31, 2023 and 2022, respectively.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business. "Risk Factors— Risks Related to

NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance” and “—NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors.”

- (2) Non-recurring expenses relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Specifically, non-recurring events for the year ended December 31, 2022 and 2023 mainly include:
 - a) expenses related to COVID emergency prevention;
 - b) write-off, in 2023, of a positive income related to a Telenergia dispute; and
 - c) Personnel costs related to training.
- (3) Lease payments refer to the actual cash outflows incurred in the year related to lease contracts.

Certain Pro Forma Data As Adjusted for the Transactions of the Optics Group^(#)

(Pro Forma)
(€m, except ratios)

As of and for the year ended December 31, 2023
(unaudited)

Cash and cash equivalents <i>As Adjusted for the Transactions</i> ⁽¹⁾	152
Adjusted Net Financial Debt-AL <i>As Adjusted for the Transactions</i> ^{(2)(*)}	8,348
Net finance income/(expenses) <i>As Adjusted for the Transactions</i> ⁽³⁾	(446)
Ratio of Pro forma Adjusted Net Financial Debt-AL <i>As Adjusted for the Transactions</i> to Organic EBITDA-AL of NetCo ^(*)	4.29x
Ratio of Organic EBITDA-AL of NetCo to Net finance income/(expenses) <i>As Adjusted for the Transactions</i>	4.36x

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(#) The data presented "As Adjusted for the Transactions" have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition.

(1) Cash and cash equivalents *As Adjusted for the Transactions* represents the cash and cash equivalents of the Optics Group after giving *pro forma* effect to the Transactions. This measure reflects the *pro forma* cash and cash equivalents of NetCo of €152 million. Cash and cash equivalents *As Adjusted for the Transactions* does not account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023 nor does it reflect any adjustments to the Purchase Price including in connection with the outcome of Exchange Offers. In addition, Cash and cash equivalents *As Adjusted for the Transactions* does not take into account the payment of any transaction costs associated with the Transactions by Optics. Accordingly, the actual Cash and cash equivalents *As Adjusted for the Transactions* of the Optics Group at completion of the Acquisition will vary, potentially substantially, from the measure above for the foregoing and other factors.

(2) *Pro forma* Adjusted Net Financial Debt-AL *As Adjusted for the Transactions* represents Adjusted Net Financial Debt-AL after giving *pro forma* effect to the Transactions reflecting (i) a drawdown under the Senior Facilities Agreement of €3.5 billion on the assumption that the Initial Exchange is subscribed at the Total Cap amount and (ii) the principal amount of any Optics Notes expected to be issued pursuant to the Exchange Offers. For more information "Description of certain other financing arrangements of the Optics Group."

Note that the *Pro Forma* Adjusted Net Financial Debt-AL, *As Adjusted for the Transactions*, will not be impacted by the results of the Exchange Offers. If a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million) (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of Optics Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition. "Summary—Optics Financing." The *Pro Forma* Adjusted Net Financial Debt-AL, *As Adjusted for the Transactions*, does not account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023 nor does it reflect any adjustments to the Purchase Price including in connection with the outcome of Exchange Offers.

(3) *Pro forma* Net finance expenses *As Adjusted for the Transactions* represents Net finance income/(expenses), after giving *pro forma* effect to the Transactions as if these transactions had occurred on December 31, 2023 assuming (i) the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023) and (ii) an estimated hedged interest rate under the Senior Facility Agreement. The actual amounts accepted in each of the US Exchange and EUR Exchange may vary substantially, which would have corresponding impacts on the calculation of *Pro Forma* Net finance expense *As Adjusted for the Transactions* as if these transactions had occurred on December 31, 2023. *Pro forma* Net finance income/(expenses) is presented for illustrative purposes only and does not purport to be what the NetCo's interest expense would have actually been had these transactions occurred on the date assumed, nor does it purport to project the NetCo's interest expense for any future period or NetCo's financial condition at any future date.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider all of the information contained in this Exchange Offer Memorandum and each of the risks described below.

In this Section, unless specified otherwise, (i) references to the Original Notes, shall refer to both the EUR Original Notes and the USD Original Notes, (ii) references to the New Notes, shall refer to both the EUR New Notes and the USD New Notes (iii) references to the Optics Notes, shall refer to both the EUR Optics Notes and the USD Optics Notes and (iv) references to the Exchange Offers shall refer to both the EUR Exchange Offers and the USD Exchange Offers.

Some of the risks relate to the Transactions, to the Exchange Offers, to not tendering in the Exchange Offers, to the New Notes and the Optics Notes. Any of the following risks could, individually or in the aggregate, materially and adversely affect the TIM Group's and NetCo's businesses, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this Exchange Offer Memorandum. Most of these risks are contingencies which may or may not occur and there is no guarantee regarding the likelihood of such events. As a result, prospective investors could lose some or all of their investment. The risks and uncertainties described herein are not the only ones that the TIM Group, NetCo and/or Optics face. It is not possible to identify all such factors or to determine which factors are most likely to occur. Although material risks affecting the TIM Group's and NetCo's businesses, after giving pro forma effect to the Transactions, have been identified and discussed below, there may be additional risks and uncertainties that are not presently known that may adversely affect the TIM Group's and NetCo's businesses, financial condition and results of operations in the future.

In addition, the TIM Group's, NetCo's and Optics' historical and pro forma historical financial performances may not be a reliable indicator of their future performance and historical trends should not be used to anticipate results or trends in future periods. This Exchange Offer Memorandum also contains forward-looking statements that involve risks and uncertainties. Actual results may materially differ from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Exchange Offer Memorandum. See "Forward-Looking Statements."

Risks Related to the TIM Group

Risks Related to the TIM Group's Business Activity and Industry

The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.

The TIM Group's fixed and mobile telecommunications operations, in Italy and abroad, are subject to extensive, costly and evolving regulatory regimes. Changes in such laws and regulations, or failure by the TIM Group to comply with such laws and regulations could materially and adversely affect the TIM Group's business, financial condition, results of operations, reputation and prospects. As a member of the EU, Italy has adapted its regulatory legislation and rules for electronic communications services to the framework established by the EU Parliament and Council.

Pursuant to the EU regulatory framework, the Italian regulator, the Italian Communications Authority (*Autorità per le garanzie nelle comunicazioni*) ("**AGCOM**"), is required to identify operators with "Significant Market Power" ("**SMP**") in the relevant markets subject to regulation. On the basis of market analyses proceedings ("**Market Analyses**"), AGCOM imposes requirements necessary to address identified competition problems. The regulatory framework in the telecommunications industry mainly targets wholesale network providers, while the regulation of retail markets has been largely withdrawn over time, with the exception of price tests on retail access offers (for telephone, broadband and ultrabroadband services).

Within this regulatory framework, the main risks the TIM Group faces include the lack of predictability concerning both the timing of the regulatory proceedings and their final outcome and possible AGCOM decisions that apply retroactively and their potential impact on the TIM Group's business, results of operations and on the guidance

presented to the market (e.g., review of prices from prior years following the decisions of administrative courts, repricing decisions, proceedings that impact technological decisions and return on investment).

New Market Analyses shall be periodically conducted by AGCOM in order to (i) deal with the evolution of market conditions and technology developments and (ii) set the rules for a subsequent regulatory period of up to five years (potentially extended to up to six years upon a AGCOM's specific application process to the European Commission). In addition, a specific Market Analysis shall be conducted each time a vertically integrated operator with SMP notifies a detailed delayering project pursuant to Article 89 of Italian Legislative Decree No. 259 of 2003 (*separazione volontaria da parte di un'impresa verticalmente integrata*), such as the one envisaged as part of the Transactions. On June 21, 2023, AGCOM called a public consultation concerning a scheme for a new Market Analysis aimed at regulating the period 2024-2028. A final draft was approved by AGCOM at the end of January 2024 and submitted to the Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) ("**AGCM**") for its opinion. Following the receipt of AGCM's opinion, the draft has been notified to the European Commission and made public. The final text of the Market Analysis is expected to be published in the first half of May 2024, following the receipt of the European Commission's comments. Although the TIM Group may contribute to public consultations promoted by AGCOM to update the regulatory framework applicable to its operations, there can be no assurance that AGCOM will take into account the TIM Group's comments and proposals, thus setting forth a regulatory framework applicable to its business which is not in line with the TIM Group's expectations.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a detailed delayering project. As TIM is an operator with SMP, the notification will trigger a new Market Analysis. Depending on the results of the Market Analysis, NetCo may be officially recognized by AGCOM as a "wholesale-only" operator within the meaning of Article 91 of Italian Legislative Decree No. 259 of 2003.

The TIM Group expects that the consummation of the Transactions will result in an improvement of the regulatory environment for the TIM Group in the Italian market (enabling it to compete on a level playing field with other market participants under applicable competition laws), such as the withdrawal of the obligations to apply retail access prices that are replicable by other competitors and to submit new retail access offers to AGCOM for prior approval that apply to the TIM Group ahead of the successful completion of the Transaction. However, although it seems reasonable to expect a specific AGCOM decision recognizing the consequences of the vertical separation a few months after the Acquisition Closing Date, it is currently uncertain whether and when AGCOM may grant such regulatory reliefs. See "*TIM Group Regulation*" and "*Summary—The TIM Group's Strategy*."

Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest. Regulatory uncertainty and regulatory changes imposed on the TIM Group can impact its revenues and can make it more difficult to make important investment decisions.

Moreover, a high level of disputes arising from operators challenging AGCOM decisions before administrative courts results in a further degree of uncertainty with respect to rules and economic requirements.

The AGCM and AGCOM, under certain circumstances, may also intervene in the TIM Group's business, setting fines and/or imposing changes in its service provision operating processes and in its offers. In addition, AGCOM or AGCM decisions may impose constraints on the pricing of fixed and mobile offers based on consumer protection legislation.

The Brazil Business Unit is also subject to extensive regulation. Its international operations, therefore, face similar regulatory issues as the TIM Group faces in Italy, including the possibility for regulators to impose obligations and conditions on how the TIM Group operates its businesses in Brazil as well as taking decisions that can have an adverse effect on its results.

As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of its compliance with any such decisions or new regulations, may limit its flexibility in responding to market conditions, competition and changes in its cost base which could individually or in the aggregate, have a material adverse effect on its business and results of operations.

Due to the continuous evolution of the regulatory regime affecting various parts of its business in Italy and in its international operations, the TIM Group is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in Italy, Brazil and its other international markets. Regulations in the

telecommunications industry are constantly changing to adapt to new competition and technology. See “*TIM Group Industry Overview*” and “—*The TIM Group may be subject to increasing market competition.*” Changes in laws, regulation or government policy could adversely affect the TIM Group’s business and competitiveness. In particular, the TIM Group’s ability to compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which it is subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment, revocation or renewal of its authorizations and public concessions, or those of third parties, could adversely affect its future operations in Italy and in other countries where the TIM Group operates.

Following the successful completion of the Transactions, there can be no assurance that the TIM Group will be able to deliver any or all of the related expected benefits of the Transactions from a business perspective.

Following the successful completion of the Transactions, the TIM Group expects, among other things, to be able to implement a strategic flexibility, compete on a level playing field among its peers and further benefit from organic and inorganic growth. However, the TIM Group may be unable to realize or capitalize on the anticipated benefits it expects to achieve from the successful completion of the Transactions. Failure to achieve or capitalize on such benefits could adversely affect its business, results of operations and financial condition. See “*Summary—The TIM Group’s Key Strengths*” and “*Summary—The TIM Group’s Strategy.*”

The TIM Group’s business will be adversely affected if the TIM Group is unable to successfully implement its strategic objectives and factors beyond its control may prevent it from successfully implementing its strategy.

In recent years, the telecommunications market has shown a high level of competition, which has resulted in a significant reduction in customer spending, while at the same time requiring an increasing level of investment needed to support network development. In the face of the contraction of the traditional telecommunication core business related to connectivity of voice and data, the TIM Group has progressively evolved its positioning across its markets. Currently, the TIM Group is effectively operating in adjacent markets, with different levels of competition and different investment cycles, using specific commercial approaches and operating models. See “*TIM Group Industry Overview*” for further information. For the Italian market, the TIM Group has defined a specific strategy for the different areas of competition, which includes:

- Development of 5G solutions (with the support under the NRRP);
- In the Enterprise segment, which is characterized by stable growth and a change in the revenue mix with an increase in the weight of cloud, IoT and security services, the TIM Group’s commercial strategy is focused on transitioning to advanced connectivity solutions and development of proprietary ICT services, products and solutions and strengthening the integrated approach to the ICT offer to large enterprises and public administrations; and
- In the Consumer and SMB segments, the TIM Group is engaged in strengthening its premium positioning with a greater focus on the retention of its customer base and the penetration of ICT solutions among target customers.

For the Brazilian market, the TIM Group aims at improving revenues and selective growth, while maintaining financial discipline. To achieve this goal, it seeks to strengthen its market position by leveraging mobile telephony to increase broadband usage and by exploiting opportunities arising from emerging technologies and customer behavior changes. In respect of its strategic efforts regarding broadband, it is seeking to increase its presence in the residential broadband market by investing significant efforts and resources to expand its footprint and the density of its fiber optic broadband service (FTTx), by providing a higher-speed fixed connection closer to the customer residence, under the brand TIM UltraFibra (formally TIM Live), and launching its fixed broadband service through mobile network where the TIM Group offers broadband through LTE or 4G or 5G wireless communication networks as a type of FWA. The provision of fiber optic broadband service is a highly capital-intensive business that brings a long-term return on investments and increases the risks to the TIM Group’s operation. To mitigate such risk while boosting fiber infrastructure and market access, TIM Brasil created FiberCo and sought a strategic partner. After regulatory approvals, TIM Brasil acquired a controlling stake in FiberCo (now I-Systems), aiming to accelerate residential broadband growth and unlock infrastructure value through an open network approach and focused operations. However, as a new business,

residential broadband also brings new risks, particularly related to market response and customer behavior, that could negatively impact the use of the TIM Group's mobile network resources.

For more details of the TIM Group's existing market competition strategy, please see "*Summary—Key Strengths*" and "*Summary—The TIM Group's Strategy*."

On March 6, 2024, the TIM's board of directors approved the 2024-2026 Industrial Plan (the "**2024-2026 Industrial Plan**"), which contains the strategic guidelines and growth objectives of the TIM Group for the relevant period. In particular, pursuant to the 2024-2026 Industrial Plan, in order to mitigate regulatory constraints, and increase the focus on the markets it focuses on, the TIM Group has confirmed the Delaying Plan, pursuant to which it plans to transition to a more horizontal structure, divided into three business areas: (i) TIM Enterprise, dedicated to the segment of large Italian companies and the Italian public administration (and possibly further separate this business area into a standalone entity) (ii) TIM Consumer, to serve Italian households, individuals and small and medium-sized enterprises (iii) and TIM Brasil, which serves the Brazilian market.

For more details of the TIM Group's strategic objectives and the Delaying Plan, please see "*Summary—The TIM Group's Strategy*," and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*." The TIM Group's ability to implement and achieve its strategic objectives and priorities may be influenced by certain factors, including factors outside of its control. Such factors include:

- an increase in the number of competitors in the telecommunications industry that could reduce TIM Group's market share;
- the TIM Group's ability to successfully compete on both price and innovation capabilities with respect to new products and services, including competition from mobile virtual network operators ("**MVNOs**"), which offer telecommunication services to customers by leasing network capacity from traditional network providers, without their own network infrastructure and global and local OTT providers which offer content and services using the Internet, without their own network infrastructure;
- a deterioration of the macroeconomic conditions affecting (also taking into consideration the impact of the current inflationary environment and energy crisis) the principal markets in which the TIM Group operates, including, in particular, its core Italian market;
- the impact of regulatory decisions and changes in the regulatory environment in Italy, Brazil and other countries in which the TIM Group operates, including the ability of the Italian government to exercise certain powers with respect to strategic transactions under the Italian Golden Power Legislation;
- the TIM Group's ability to develop and introduce new technologies that it considers attractive for its principal markets, to manage innovation, to supply value added services and to increase the use of its mobile networks;
- the TIM Group's ability to secure government subsidies and funds;
- the TIM Group's ability to obtain, maintain and renew necessary licenses and authorizations in a timely and cost-effective manner;
- controls and system technology failures, which could negatively affect the TIM Group's revenues and reputation;
- the introduction of transformative technologies that could be difficult for the TIM Group to keep pace with and could cause significant revenues decrease;
- the TIM Group's ability to operate efficiently and to refinance the TIM Group's debt as it comes due, particularly in consideration of political and economic conditions and uncertainties in credit and capital markets;
- the TIM Group's ability to most efficiently scale the TIM Group's structure;

- the TIM Group’s ability to attract and retain qualified personnel;
- government policy and changes in the regulatory environment or legal frameworks;
- the TIM Group’s ability to successfully implement its Internet and broadband and ultrabroadband strategy (especially with respect to FTTH in Brazil);
- the TIM Group’s ability to successfully achieve its financial targets (including debt reduction);
- physical and/or cyber threats;
- the effect of exchange rate and inflation fluctuations;
- the impact of fluctuations in currency exchange, inflation, interest rates and the performance of the financial markets in general;
- the outcome of litigation, disputes and investigations in which the TIM Group is involved or may become involved, including those potentially arising in connection with the Transactions;
- large scale adverse events that could cause negative effects, requiring a long recover period, or even impact permanently the socioeconomic environment, such as natural disasters, political instability, or pandemics;
- the possibility of an increase in taxes by governments in order to balance their financial deficit;
- increasing demand on the TIM Group’s system bandwidth to manage the continuous growth of mobile data traffic, which in turn requires further investments in infrastructure or the acquisition of additional spectrum frequencies in order to maintain network quality and prevent turnover, especially in big cities, where the population is highly concentrated and the costs of network expansion are considerably high;
- the TIM Group’s ability to build up its business in adjacent markets and in international markets due to its specialist and technical resources;
- the TIM Group’s ability to achieve the expected return on the investments and capital expenditures it has made and continues to make in Italy, Brazil and other countries in which it operates;
- the amount and timing of any future impairment charges for the TIM Group’s authorizations, goodwill or other assets;
- the TIM Group’s ability to manage any business or operating model transformation plans;
- any difficulties which the TIM Group may encounter in its supply and procurement processes, including as a result of the insolvency or financial weaknesses of its suppliers;
- non-recurring events (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operation of the TIM Group*”); and
- the costs the TIM Group incurs due to unexpected events, in particular where its insurance is not sufficient to cover such costs.

The factors outlined above, individually or in the aggregate, could materially adversely impact the TIM Group’s business, financial condition and results of operations. Accordingly, there can be no assurance that the business and strategic objectives identified by the TIM Group’s management can effectively be attained in the manner and within the timeframes described. Furthermore, if the TIM Group is unable to attain its strategic priorities, or if a further deterioration of macroeconomic and geopolitical environments exacerbates financial market conditions in the form of higher rates or wider credit spreads, and if the TIM Group is unable to sufficiently pass on any associated costs to its customers, its goodwill may be further impaired, which could result in significant write-offs.

The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs.

In connection with the Transitional Services Agreement, the TIM Group on the Acquisition Closing Date will provide or procure certain transitional services to NetCo and NetCo will provide or procure certain transitional services to the TIM Group for a period of time sufficient to facilitate the transition to separate operations. For further information regarding the Transitional Services Agreement, please refer to “*Summary—The Transactions—Transitional Services Agreement*.” Additionally, following the Transactions, the TIM Group will maintain access to NetCo’s infrastructure through the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to “*Summary—The Transactions—Master Services Agreement*.” In light of these agreements, and based on their consequent contractual structures, the TIM Group could be subject to, among other things, (i) unexpected additional costs or adverse impacts on its business functions as a result of non-performance and/or underperformance by NetCo of its obligations under such agreements and/or (ii) potential liabilities during the period of the Master Services Agreement and the Transitional Services Agreement if it fails to deliver certain obligations to NetCo, each of which could adversely affect its business, financial condition and results of operations.

Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group’s business, financial condition and results of operations.

In connection with the Transactions, the TIM Group will divest its ownership interest in NetCo. For further information, see “*Summary—The Transactions*.” This divestment will transition the relationship between NetCo and the TIM Group into a new phase of commercial engagement. Pursuant to the Transaction Agreement, on the Acquisition Closing Date, the two parties will enter into the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to “*Summary—The Transactions—Master Services Agreement*.”

Pursuant to the Master Services Agreement, NetCo will, among other things, provide certain fixed-line wholesale access services to the TIM Group for an initial term of 15 years, with a renewal mechanism for an additional term. During such term, there can be no assurances that disputes will not arise between NetCo and the TIM Group. In the event of a dispute, any actions NetCo or the TIM Group could take, including the application of contractual penalties, to resolve the dispute could result in additional costs or lower revenues for the TIM Group. If a technological problem, such as any increase in traffic, a physical or cyber-attack or any other circumstances affecting the operations and reliability of NetCo’s fixed-line network were to occur, the TIM Group would be unable to offer reliable and seamless fixed-line connectivity to its customers. This could in turn generate customer churn and materially and adversely affect the TIM Group’s business, financial condition and results of operations.

As part of the Acquisition, TIM and NetCo will enter into the Master Services Agreement on the Acquisition Closing Date. A draft of the agreed form Master Services Agreement has been attached to the Transaction Agreement. However, it cannot be ruled out that changes to the language or content of the Master Services Agreement could be made in the future, including as required by applicable or regulation. Such amendments could affect the future business of the TIM Group, the Purchase Price and the pro forma financial information included in this Exchange Offer Memorandum, which have been calculated based on certain assumptions, including the economic conditions currently anticipated under the Master Services Agreement.

Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group’s costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group.

As part of the Transactions, the TIM Group will be transferring the NetCo Business to NetCo. Accordingly, following the successful completion of the Transactions, the TIM Group will continue to rely on the direct ownership of its mobile infrastructure, data centers, backbone and further equipment and infrastructure components that are not included in the NetCo Business, but it will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers pursuant to the Master Services Agreement that the TIM Group and NetCo will enter into on the Acquisition Closing Date.

In the event NetCo (1) fails to develop, maintain, repair, upgrade, protect and replace its fixed-line network, (2) experiences a major disruption in its business, such as a strike, work stoppage or slowdown, a supply chain problem or a decrease in orders from other OLOs or (3) files for bankruptcy protection, the TIM Group's business, financial condition and results of operations could be materially adversely affected. Therefore, the loss of, or a significant reduction in, services offered by NetCo, the early termination of the Master Services Agreement, or other material operational or financial difficulties experienced by NetCo could materially adversely affect the TIM Group's business, financial condition and results of operations. For a detailed description of the risks associated with NetCo and its business, please see "*Risks Related to NetCo*."

The TIM Group may be subject to increasing market competition.

Telecommunications operators have generally faced challenging market conditions in recent years, principally as a result of the decline in voice traffic and significant pricing pressures resulting from increased competition among operators.

Strong competition exists in all principal areas of the Italian telecommunications industry in which the TIM Group operates, particularly from other licensed operators ("**OLO**") in the consumer segment (as described in "*Business of the TIM Group*" and "*TIM Group Industry Overview*"). Competition may become even more acute in the coming years, with additional international operators accessing the Italian market. The Italian telecommunications market continues to have an intense level of competition which generates for the TIM Group risks of a reduction in market share and pressure on prices. In the fixed retail market, for example, the recent launch of Iliad has added an additional risk pressure to an already complex situation. In addition, potential consolidation between telecommunications operators in the Italian market could increase economies of scale for these telecommunication operators which could, in turn, lead to competitive pricing strategies that could have an impact to TIM Group's services and products.

In Brazil, the TIM Group faces competition throughout Brazil from many providers in the personal communications service ("**PCS**") market. The TIM Group also competes with providers of mobile telecommunication, voice over Internet protocol services ("**VoIP**") and landline telecommunications services, including from providers who bundle voice and data to its customers in a single offer. Due to this increasing competition, the TIM Group may incur higher advertising and commercial costs as it attempts to maintain or expand its market share. Other than the TIM Group, the following main competitors also hold authorizations to provide PCS with national coverage: Claro S.A., under the brand name "*Claro*" and Telefônica Brasil S.A., under the brand name "*Vivo*." Moreover, all PCS providers with national coverage offer third generation, or 3G, and fourth generation, or 4G, fifth generation, or 5G mobile telecommunications network technology, reducing differentiation amongst competitors. With the assets acquired from the Oi Móvel S.A. by TIM, Vivo and Claro, the TIM Group believes that the likelihood of further consolidations in the Brazilian telecommunications market among the main competitors are remote, but if further consolidations driven by main competitors were to occur, those consolidations may favor their strategic advantage with increased market power and access to greater financial resources, thereby weakening the TIM Group's market position.

The TIM group also faces increased competition from other services outside the telecommunications industry. While technological changes, such as the development, roll out, and improvement of 4G and 5G mobile networks, may create new revenue streams, it also hinders traditional services and introduces additional sources of competition, for example, with services like VoLTE calls, messages and SMSs. These OTT communication apps are often free of charge (i.e. no subscription fee), accessible by smartphones and usually allow their users to have access to potentially unlimited messaging and voice services over the Internet, bypassing traditional and more profitable voice and messaging services. As a result, voice traffic is migrating to data. Offers from almost all competitors have started to include unlimited voice, thereby accelerating commoditization. Furthermore, very often OTT applications become so important to customers that they are bundled as zero-rated services, or OTT applications for which data usage is free. These and other factors, including the regulatory and tax asymmetry, are responsible for the increase in the competitive pressure the TIM Group is facing in the mobile market. OTT application service providers also leverage existing infrastructures and generally do not operate capital-intensive business models associated with traditional mobile network operators like the TIM Group. Technological developments have led to significant improvements in the services provided by OTT applications, particularly in speech quality delivered by data communications apps, thereby strengthening their positioning and relevance as competitors. In addition, providers with strong brand capability and financial strengths have turned their attention to the provision of OTT application services. In the long term, if non-traditional mobile voice and data services or similar services continue to increase to satisfy customers' needs and if the TIM Group is not able to address this competition, this could contribute to further declines in mobile MARPU as

well as lower margins across many of products and services the TIM Group offers, thereby having a material adverse effect on its business, results of operations, financial condition and prospects. See “—*Continuing rapid changes in technologies could increase competition, reduce the usage of traditional services and require the TIM Group to make substantial additional investments.*” The OTT service providers hold most of the content, the means to create it and the distribution channel. Together with these resources they dedicate themselves to creating new ways for their customers to interact with and consume content. As a result, it can be challenging for network operators, to design value-added services that are beneficial to customers. In addition to technological hurdles, the TIM Group may face other hurdles to offering value-added services, such as regulatory hurdles. Additionally, the TIM Group expects that the 3.5GHz rights that were acquired by regional providers may provide them with an opportunity to become mobile network operators. In addition, the new neutral network, which is proposed to be offered by Winity Telecom (the winner of the 700 MHz spectrum), may leverage mobile network capacity for ISPs, thereby allowing ISPs to extend their offerings to their current broadband customer base with bundle offerings, which may increase their competitive offering in the marketplace.

Given the current macroeconomic environment, the TIM Group is introducing price mechanisms for adjusting its offers to account for increased costs associated with the prevalent inflationary environment in which it operates in order to reduce the pressure on cash costs. Given the high level of competition in the market, there is the concrete risk that some competitors will not pursue price-based competition, resulting in the reduction of the TIM Group’s market share and further pressure on price on the Retail market segment the TIM Group’s core business is expanding to include innovative and convergent services and offers for fixed and mobile telecommunication, as well as television content. This expansion creates new opportunities and risks for the TIM Group, as it faces increased competition from providers of IT as well as OTT and other media platforms and devices. The telecommunications market is also experiencing consolidation and globalization, which may further intensify competition. See “—*Risks Related to Macroeconomic Conditions Affecting the TIM Group.*”

In addition, competition concerning innovative products and services in the TIM Group’s Italian domestic mobile telephony and broadband and ultrabroadband businesses has led, and could further lead to:

- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs and payback period related to investments in new technologies that are necessary to retain customers and market share; and
- difficulties in reducing debt and funding strategic and technological investments if the TIM Group cannot generate sufficient profits and cash flows.

In the Brazilian market, the competitive risks are represented by the rapid transition of the business model from traditional to more innovative services. Changes in the consumption profile of the customer base (voice-to-data migration) require operators to be quick to prepare their infrastructure and modernize their portfolios of products and services. In this context, the Brazil Business Unit could be impacted by the need for rapid development of technologies and infrastructures.

Competition in the TIM Group’s principal lines of business has led, and could further lead, to:

- price and margin erosion for its traditional products and services;
- loss of market share in its core markets;
- loss of prospective customers; and
- greater difficulty in retaining existing customers.

Although the TIM Group continues to take steps to realize additional efficiencies and to rebalance its revenue mix through the continuous introduction of innovative and value-added services, if any or all of the events described above occur, the impact of such factors could have a material adverse effect on the results of operations and financial condition of the TIM Group.

Customer churn, or the threat of customer churn, may adversely affect the TIM Group's business.

The TIM Group is exposed to the risk of customer churn. Customer churn is a measure of the number of customers who stop subscribing for one or more of its products or services. Churn may arise mainly as a result of competitive influences, the relocation of clients outside of the TIM Group network area and price increases that the TIM Group may put in place. In addition, customer churn may also increase if the TIM Group is unable to deliver satisfactory services over its network or if its local and regional advertisement strategies are not effective. For example, any interruption of its services, including the removal of certain services, which may not be under its control, or other customer service problems, could contribute to an increase in customer churn or inhibit its goal of reducing customer churn. Any increase in customer churn could have a material impact on the TIM Group's business, financial condition and results of operations.

The TIM Group is subject to credit risk with respect to its customers.

The TIM Group's operations depend to a significant extent on the ability of its customers to pay for its services. In Brazil, under Anatel regulations, the TIM Group is allowed to undertake certain measures to reduce customer defaults, such as restricting or limiting the services the TIM Group provide to customers with a history of defaults, whereas in Italy such similar regulated protection has not been implemented yet. If the TIM Group is unable to undertake measures to limit payment defaults by its subscribers or that allow it to accept new subscribers based on credit history, the TIM Group will remain subject to outstanding uncollectible amounts, which could have an adverse effect on its business, financial condition and results of operations.

The assumptions used in estimating savings targets components and steps as well as expected business and regulatory benefits are forward-looking in nature.

In this Exchange Offer Memorandum, the TIM Group presents certain forward-looking savings targets that the TIM Group expects to realize pursuant to the Transformation Plan and certain forward-looking business and regulatory benefits that the TIM Group expects to realize as a result of the successful completion of the Transactions and the implementation of the Delayering Plan. The assumptions used in estimating total savings, including the components of such estimates, and the steps to be taken to realize such savings as well as the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transactions and the implementation of the Delayering Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. It cannot be guaranteed that the information on which the TIM Group has based its estimates and assumptions will not change or that the TIM Group will be able to realize the cost savings or benefits that it believes possible based on these management's estimates and assumptions. See "Summary—The TIM Group's Strategy."

The TIM Group may face difficulties responding to new telecommunications technologies.

The wireless telecommunications market is experiencing significant technological changes worldwide, as evidenced by the following, among other factors:

- ongoing improvements in the capacity and quality of digital technology available in Brazil;
- shorter time periods between the introduction of new telecommunication technologies and subsequent upgrades or replacements;
- the development of user interface, or UI, and user experience, or UX, technology;
- the development of customer behaviors, particularly the migration of services from voice to data, requiring new planning models and accelerating the evolution of communications to increasingly occur on IP networks;
- the development of cloud solutions to provide platform as a service (PaaS), software as a service (SaaS), or infrastructure as a service (IaaS), in order to drive down costs;
- voice over LTE, known as VoLTE, which increases significantly the quality of voice calls and allows companies to traffic voice as data through their 4G networks;

- the expansion of 5G DSS technology, matched with the simultaneous management of multiple layers of legacy technology, such as GSM, 3G (Switch Off in Italy in 2H 2022), and 4G through different spectrum bands, which involves managing the LTE radio access network (“**RAN**”), sharing agreement among the TIM Group and other companies, which creates specific demands on bandwidth and performance, and takes advantage of network virtualization, distributed cloud at the wireless edge, and allows multiple logical networks to run on top of a shared physical network infrastructure, known as network slicing, for traffic control in a service-based architecture;
- the recent acquisition of the 100 MHz frequency nationally in the 3.5 GHz band, in addition to 40 MHz blocks in the 2.3 GHz band in the South and Southeast regions of Brazil (excluding São Paulo);
- the deployment of a new technology in mobile network called 5G standalone (“**5G SA**”), which requires unprecedented levels of automation across an end-to-end network to fulfil the needs of new services and applications. The 5G SA network needs to be flexible, programmable and distributable in nature, so that it can provide the necessary flexibility to reduce time-to-market and provide the greatest performance and efficiency gains. As a result of the development of 5G SA, products and services supplied by different providers can be more greatly differentiated as between competitors, as 5G SA better enables the provision of custom services, including, for example, services with very high throughputs and/or very low latencies;
- the widespread implementation, in the near future, of Embedded Subscriber Identity Module (e-SIM), technology, which is a small microchip built into phones as an alternative to the conventional physical SIM card, and which will enable the TIM Group’s customers to switch faster to other providers, thereby increasing competition;
- the expansion of the IoT technology in all of its forms and applications, requiring the creation of new platforms enabling its operation in new areas of the value chain. Ecosystem IoT strengthening with new partnerships, using connectivity as an enabler to increase productivity and expand the monetization of customer base; and
- the acceleration in the use of artificial intelligence, or AI, and machine learning, in order to use resources more efficiently, reduce spending and increase agility.

The TIM Group business may be negatively impacted by restrictions on customer access to mobile phone financing.

Like other operators in the telecommunication industry, the TIM Group bases part of its strategy for attracting and retaining customers on mobile phone financing offered to its subscribers. Should consumers’ access to mobile phone financing be more limited or more costly, in the future, for example, as a result of adverse financial market conditions in light of current inflationary market conditions or in the event of a recession, or a re-emergence of the COVID-19 pandemic causing lenders to tighten lending standards for consumer financing, consumers may be unable or unwilling to finance the purchase of handsets and other hardware from the TIM Group and so may delay their purchase of TIM Group’s products or services, negatively impacting its sales, growth capacity and the generation of cash to cover the TIM Group’s financial obligations.

Increasing data security requirements by financial institutions, certain other corporate customers and governmental entities may adversely affect the TIM Group’s business and profitability.

The TIM Group is a provider of fixed-line and mobile retail services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and the TIM Group may be required to undertake additional investments in order to adhere to these enhanced data security requirements, such as by, for example, enhanced encryption requirements, as well as evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. As a result, the TIM Group may incur additional capital expenditures to satisfy its data security requirements. These customers could be unsatisfied with the TIM Group’s enhanced data security requirements and could terminate their contracts with the TIM Group. Such terminations could have a material adverse effect on the TIM Group’s business, financial condition and results of operations.

The TIM Group depends on data centers operated by third parties and third-party cloud computing platforms, and any disruption in the operation of these facilities or platforms or access to the Internet would adversely affect the TIM Group's business.

The TIM Group's business requires the ongoing availability and uninterrupted operation of internal and external systems and services. The TIM Group has adopted new technology infrastructure solutions, which carries with it some risk to business continuity. With the adoption of cloud computing technology, key IT systems are being migrated to the public cloud. Despite cloud computing reducing some risks, such as delays in the supply of equipment by suppliers (like spare parts, servers, etc.), the adoption of cloud computing means that the control and responsibilities for the proper functioning of the systems are shared between the TIM Group and the third parties. In all cases the third parties will be responsible for the physical infrastructure, connectivity, energy supply, cooling and all the capabilities related to infrastructure availability. Depending of the cloud service type involved for any specific system (e.g., for IaaS, PaaS, SaaS), other capabilities will be the responsibility of the third party, according to the principles of the shared responsibility model defined by the Cloud Security Alliance, and incorporated into TIM Group's contracts with the third-party providers. These third-party providers may experience connectivity disruption, outages and other performance problems, which may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. As such, the TIM Group's success also depends directly on the continuity of the provision of computing capacity and the availability of connectivity between the cloud computing provider's data centers, including the connectivity with the TIM Group's data centers and internal networks. An intermittent failure or complete lack of connectivity or system availability, may cause interruption to the TIM Group's services, affecting its availability indicators as well as its revenue and reputation. Having data hosted on a public cloud also poses a risk to the TIM Group's ability to comply with data protection principles or law (such as the GDPR and LGPD (defined below)). As such, the TIM Group's success depends on its ability to certify that cloud providers are adopting security best practices, as well as complying with the terms of data protection laws in accordance with its contractually agreed terms.

The TIM Group may be subject to liability related to outsourcing certain functions to third-party service providers.

The TIM Group may be exposed to contingent liabilities due to outsourcing of certain functions to third-party service providers. For example, following the Transactions, the TIM Group will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers. See "*Summary—The Transactions.*" Such potential liabilities may involve claims by third-party providers who claim that they are treated as direct employees as well as claims for secondary liability resulting from workplace injury, wage parity and overtime pay complaints. The TIM Group's financial condition and results of operation may be adversely affected in the event that a material portion of these liabilities are decided against it. In Brazil, the Supreme Court has declared the outsourcing of any company's main activities as legal, which indicates a probable favorable outcome regarding the matter. Regardless of the decision in Supreme Court, the TIM Group would be jointly liable with the service provider in connection with any violation of labor obligations related to the outsourced workers. If the contracting of third-party services is considered to involve the main activities of the company, it may be characterized as a direct employment, which would significantly increase the TIM Group's costs and as a result the TIM Group may be subject to administrative proceedings by the relevant labor authorities and may be required to pay fines to the third-party service providers. See also "*—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group's costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group.*"

The TIM Group relies on certain third parties to provide services to its customers and to support its operations. Any delay or failure by such third parties to provide their services or products, any increase in the prices they charge the TIM Group or any decision not to renew their contracts with the TIM Group could cause delay or interruptions in its operations, which could damage its reputation and result in the loss of revenue and/or customers.

The TIM Group has important relationships with several suppliers of hardware, software and services that it uses to operate its network and systems and provide customer service. Further, it relies on various vendors to supply network equipment, mobile handsets and accessories necessary for its business. It also uses many suppliers, particularly in relation to smartphones suppliers, software licenses providers and for deploying mobile telecommunications network. To achieve the transmission capacity and quality levels needed for its growing number of subscribers and their changing requirements, the TIM Group relies partly on electronic communications networks belonging to other

operators and networks rolled out by certain local authorities, such as Fastweb, Open Fiber, A2A. In addition, following the Transactions, the TIM Group will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers. See also “—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group’s costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group.”

The TIM Group’s primary suppliers are involved in the provision and deployment of fixed-line and mobile telecommunications network as well as the supply of mass-market product, such as smart devices and software licenses. Even though there are no constraints on the TIM Group in substituting these suppliers with other providers, any changes in macroeconomic conditions affecting the TIM Group or any other factors described in the “Risk Factors—Risk Factors Related to the TIM Group” section, individually or in the aggregate, could limit the TIM Group’s ability to renew its existing contracts or substitute these suppliers with other providers on commercially reasonable terms, if at all. This could have a material adverse effect on the TIM Group’s business, financial condition and results of operations.

One or more of the suppliers of the TIM Group may not be able to supply the products and/or services concerned. This could affect the TIM Group’s ability to fully control its networks, offer high quality services and conduct its operations, or could lead to additional costs, each of which could have a material adverse impact on the TIM Group’s business, financial condition and results of operations.

The TIM Group also hires a number of subcontractors to maintain its network, operate its call centers and supply, install and maintain the terminals set up at its customers’ homes. Even if the TIM Group works with a limited number of subcontractors which it carefully selects and closely monitors, it cannot guarantee that their tasks are properly carried out and fully compliant with the quality and safety standards it requires or that they tasks will not be further assigned to other third-party contractors. In the event that hardware or software products or related services from or by third-party contractors are defective, or if the tasks assigned to its subcontractors are not properly carried out, it may be difficult or impossible to enforce recourse claims against suppliers or subcontractors, especially if warranties included in contracts with suppliers or subcontractors are exceeded by those in the TIM Group’s contracts with customers, in individual cases, or if the suppliers or subcontractors are insolvent, in whole or in part. In addition, this would damage the TIM Group’s relationships with its customers and the reputation of its brands.

There can be no assurance that the TIM Group will be able to obtain the hardware, software and services it needs for the operation of its business, in a timely manner, on competitive terms and in adequate amounts, or at all. The occurrence of any of these risks may create technical problems, damage its reputation, result in the loss of customers and have a material adverse effect on its business, financial condition and results of operations.

Additionally, the TIM Group has entered into long-term contracts for television content distribution that commit it to paying a guaranteed minimum amount to the counterparties. The evaluation of these contracts and the estimate of the costs associated with them, are subject to a number of risks and uncertainties which include, among others, market dynamics, decisions of the market regulatory authorities and the development of new technologies to support the services. These estimates are periodically reviewed on the basis of actual data in order to ensure that the forecast data remain within reasonably predictable ranges. In the past, the TIM Group has faced risks relating to its internal control procedures with respect to complex contracts and it may face similar risks in the future. For example, in the year ended December 31, 2023, the TIM Group recorded significant provisions for contractual risks for onerous contracts. See Note 22 to the 2023 TIM Audited Consolidated Financial Statements for further information. Not all of the factors mentioned are under the TIM Group’s control could therefore have a significant impact on future forecasts regarding the performance of the contracts, the estimated margin amount (positive or negative) and/or the cash flows that will be generated.

Continuing rapid changes in technologies could increase competition, reduce the usage of traditional services and require the TIM Group to make substantial additional investments.

The TIM Group, like other operators, faces increasing competition from non-traditional data services with respect to new voice and messaging OTT technologies, in particular OTT applications such as Skype, FaceTime, Messenger and WhatsApp. These applications are often free of charge, other than charges for data usage, and are accessible via smartphones, tablets and computers. These applications provide users with potentially unlimited access to messaging

and voice services over the Internet, bypassing more expensive traditional voice and messaging services, such as SMS, which have historically been a source of significant revenues for mobile network operators like the TIM Group. In Italy and Brazil, an increasing number of customers are using OTT applications services instead of traditional voice and SMS communications.

Historically, the TIM Group has generated a substantial portion of its revenues from voice and SMS services, particularly in its mobile business in Italy, and the substitution of data services for these traditional voice and SMS volumes has had, and could continue to have, a negative impact on the TIM Group's operating results and financial position.

If non-traditional voice and messaging data services continue to increase to satisfy customers' needs and the TIM Group is unable to address such competition, its ARPU could decline and the TIM Group would face lower margins across many of its products and services, resulting in a material adverse effect on the TIM Group's operating results and financial position.

Changes in competitive offerings for content, including the potential rapid adoption of piracy-based video offerings, could adversely impact the TIM Group's business.

The market for content is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video, sports and other content. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the content market. Piracy, in particular, threatens to damage the TIM Group's business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free. Furthermore, in light of the compelling consumer proposition, piracy services are subject to rapid global growth. Traditional providers of content, including broadcasters, as well as Internet-based e-commerce or content providers are increasing their Internet based offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing content. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If the TIM Group is unable to successfully or profitably compete with current and new competitors, its business will be adversely affected, and it may not be able to increase or maintain its market shares, revenues and/or profitability.

The TIM Group may be adversely affected if it fails to successfully implement its Internet and 4.5G/5G Next Generation Mobile Networks strategy.

With the continuing development of Internet and broadband services, and due to the use of public funds linked to NRRP, the TIM Group aims to increase the use of its networks to offset the continuing decline of traditional voice services. However, the TIM Group's ability to successfully implement this strategy may be negatively affected if:

- broadband mobile coverage does not grow as the TIM Group expects;
- competition grows to include players from adjacent markets or technological developments introducing new platforms for Internet access and/or Internet distribution;
- the TIM Group is unable to provide superior broadband connections and broadband/mobile services relative to its competitors;
- delays in obtaining the necessary permits, concessions and authorizations (including spectrum concessions and any required permits in relation to environmental, urbanistic, building permits, expropriation, zoning and fire prevention matters) occur or the TIM Group's is unable to ensure continued compliance with the requirements set forth by such permits;
- delays in the procurement of materials and devices occur due to possible supply shocks;

- the TIM Group experiences network interruptions or related capacity problems with network infrastructure; or
- the TIM Group is unable to obtain adequate returns from the investments related to its network development.

In addition, the implementation of 4.5G/5G technologies is dependent on a number of factors, including the availability and selection of cutting-edge technology from the TIM Group's network/platforms and device vendors. If the TIM Group fails to achieve its objectives for the implementation of 4G/5G coverage in a timely manner, or at all, it may lose market share to its competitors in this strategically important segment.

Any of the above factors may adversely affect the successful implementation of the TIM Group's strategy and, accordingly, the TIM Group's business, financial condition and results of operations. In particular, any delays in NRRP tenders or related activities are subject to predetermined penalties, which could be significant and, could result in the overall revocation of the grant awarded to the TIM Group.

The TIM Group's business may be adversely affected if it fails to successfully implement its ICT strategy.

The TIM Group intends to continue focusing on information technology-telecommunication ("IT-TLC") convergence by addressing the ICT market, offering network and infrastructure management, as well as application management. In particular, as the market for cloud services continues to grow, the ICT market is expected to become a key element of its strategy.

For this reason, the National Strategic Hub (*Polo Strategico Nazionale*), in which the TIM Group holds a 45% equity interest, was recently established, dealing with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for Italian local and national public administrations.

TIM anticipates that the competition in this market will intensify as new players, particularly telecommunications operators collaborating with IT operators, enter the market. See "*The TIM Group may be subject to increasing market competition.*"

The TIM Group's business may be adversely affected if it fails to successfully implement its ultrabroadband mobile access network strategy.

One of the TIM Group's goals is to accelerate the roll out of a new telecommunications network capable of providing customers with ultrabroadband connections, also thanks to the use of public funds linked to the NRRP in the regions where the TIM Group has won the tender.

However, the implementation of ultrabroadband technologies is dependent on a number of factors, including:

- delays in receiving the necessary permissions and authorizations for installation of lines;
- delay in supplying of material and devices due to possible supply chain shocks; and
- increase in transport, raw materials and labor cost of network companies due to inflationary pressures and increase in energy costs (see "*Risks related to Macroeconomic Conditions Affecting the TIM Group*").

If the TIM Group fails to achieve its objectives for the implementation of ultrabroadband coverage promptly, or at all, the TIM Group may lose market share to its competitors in this strategically important segment, which may adversely impact the TIM Group's operating results and financial position.

Delays in NRRP tenders or in completing roll outs are subject to predetermined penalties, which can be significant and could result in the overall revocation of the awarded grant.

The TIM Group's business depends on upgrading its existing networks.

The TIM Group must continue to maintain, improve and upgrade its existing mobile networks in Italy and Brazil, in a timely and satisfactory manner to retain and expand its customer base in each of its markets. A reliable and high-quality network is necessary to manage turnover by sustaining its customer base, maintaining strong customer brands

and reputation and satisfying regulatory requirements, including minimum service requirements. The maintenance and improvement of the TIM Group's existing networks depends on its ability to:

- upgrade the functionality of its networks to offer increasingly customized services to its customers;
- increase coverage in some of its markets;
- expand and optimize customer service, network management and administrative systems;
- expand the capacity of its existing mobile networks to cope with increased bandwidth usage; and
- upgrade older systems and networks to adapt them to new technologies and enhance architecture.

In addition, due to rapid changes in the telecommunications industry, the TIM Group's network investments may prove to be inadequate or may be superseded by new technological changes. Its network investments may also be limited by market uptake and customer acceptance. If the TIM Group fails to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of its networks could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased turnover.

Many of these factors are not entirely under the TIM Group's control and may be affected by, among other things, applicable regulation. If the TIM Group fails to maintain, improve or upgrade its networks, its services and products may be less attractive to new customers and it may lose existing customers to competitors.

The TIM Group's capital expenditures may not generate a positive return.

The businesses in which the TIM Group operates, even after the completion of the Transactions, are capital intensive. See “—*The TIM Group's business depends on upgrading its existing networks.*” Significant capital expenditures are required to add customers to its networks, including expenditures for equipment and labor costs as well as for the acquisition and extension of various operating licenses. The TIM Group employs a proactive capital expenditure strategy aimed at supporting its business as a telecommunications operator (e.g., rolling out mobile networks and purchasing spectrum in the markets) and establishing its commercial presence (through physical stores). The TIM Group's strategy is also designed to enhance its subscriber relations (by communicating through all media including video calls and virtual assistance) and to develop new products and services. However, it cannot be assured that the TIM Group's future upgrades will generate a positive return or that the TIM Group will have adequate capital available or will be able to access debt financing on commercially reasonable terms, if at all, to finance such future upgrades. Mobile network rollouts in Italy and Brazil remain the TIM Group's largest priority. If the TIM Group is unable to, or elects not to, pay for costs associated with expanding or upgrading its mobile network or making other planned or unplanned capital expenditures, this could have a material adverse on the TIM Group's business, financial condition and results of operations. The TIM Group has based its estimates on assumptions that may prove to be inaccurate, and it could use its capital resources sooner than it currently expects, or its business plan may change as a result of a number of factors currently unknown to it.

The TIM Group's business may be affected by an unpredictable instant increase of traffic.

Unpredictable instant and massive increases of traffic due to, for example, live video events broadcasted over the IP network from an OTT and/or CSP could materially affect the TIM Group's overall mobile network performance, causing slowdowns or momentary blockages of communications with consequences on reputation and customer satisfaction.

System and network failures could result in reduced user traffic and reduced revenue and could harm the TIM Group's reputation.

The TIM Group's success largely depends on the continued and uninterrupted performance of its IT, network systems and of certain hardware and data centers that it manages for its clients. In addition, the TIM Group's operations involve daily processing and storage of large amounts of customer data and require uninterrupted, accurate, permanently available, real-time and safe transmission and storage of customer and other data in compliance with applicable laws and regulations.

The TIM Group's technical infrastructure, including its network infrastructure for mobile telecommunications services, and the assets managed on behalf of clients, are vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, heatwaves, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at the TIM Group's facilities, system failures, hardware and software failures, computer viruses and cyber-attacks (including information theft, data corruption, operational disruption or financial loss associated with the foregoing) and data leakage, as well as terrorist attacks against its infrastructure could affect the quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect the TIM Group's levels of customer satisfaction, reduce its customer base and harm its reputation.

The TIM Group has implemented processes of vulnerability analysis, development of technical protection solutions, optimization of capital allocation on technical investments and partial financial transfer of risk to the insurance market in order to seek to address the risks described above but there can be no assurance such measures will be sufficient.

The TIM Group's businesses are subject to cybersecurity risks.

Cybersecurity risks are among the most relevant risks for the TIM Group due to the central role of IT in its operations.

Despite efforts to modernize its network and replace outdated systems, the TIM Group's networks and systems are vulnerable to security threats, including cyber-attacks from internal and external sources. The cyber security attacks may be committed third parties operating in any region, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. These attacks can disrupt service availability and compromise data, posing a significant risk to the TIM Group's reputation as a provider of critical national infrastructure. The TIM Group works to prevent and limit the impact of cyber-attacks, but an absolute protection cannot be guaranteed. However, the TIM Group or its third-party providers and other contractors cannot assure that they will be successful in protecting customers' personal data and other data that is stored on the TIM Group system and their systems.

To address these risks, the TIM Group must continue to identify and address technical vulnerabilities and weaknesses in its processes and enhance its ability to detect and respond to incidents. This includes strengthening security in the supply chain and ensuring the security of cloud services. The TIM Group has adopted ISO 27001 standard best practices and certified in November 2022. The TIM Group has also strengthened security measures related to remote access and teleworking in response to the COVID-19 pandemic and the Russia-Ukraine conflict.

Moreover, in order to prevent any impacts and in line with the provisions of the National Cyber Security Perimeter (NCSP – *Perimetro di Sicurezza Cibernetica Nazionale*), the TIM Group was requested by the Computer Security Incident Response Team (a structure set up at the *Agenzia per la Cyber Sicurezza Nazionale*, which among other things, issues early warnings, cyber bulletins and disseminates information to interested parties regarding cyber risks) to raise the level of attention, adopting as a priority some mitigation actions including:

- verification of the consistency and offline availability of the backups necessary for the recovery of the core business services in particular;
- increase in monitoring and logging activities;
- creation, updating, maintenance and periodic exercise of incident response capabilities, business continuity and resilience plans;
- availability of key personnel;
- particular attention to cloud environments;
- prioritization of patching activities;
- monitor service and administration accounts for anomalous activity;
- network traffic monitoring to analyze anomalous peaks; and

- increasing the ability to protect e-mail infrastructures against spear-phishing activities.

Furthermore, in order to partially mitigate any economic-financial impact deriving from cyber-attacks, the TIM Group has structured a specific financial risk transfer policy through dedicated insurance coverage.

The inability to operate the TIM Group networks and systems as a result of cyber-attacks, even for a limited period of time, may result in significant expenses and a loss of market share to other communications providers. The costs associated with a major cyber-attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber-security measures and the use of alternate resources, lost revenues from business interruption and litigation. A major security incident or business interruption, or non-compliance with applicable laws and regulations (including those establishing the NCSP) could result in financial loss, reputational damage, market share loss and regulatory sanctions. Further, as cyber-attacks continue to evolve, and also in light of any further obligation imposed on the TIM Group as a result of its inclusion in the NCSP, the TIM Group may incur significant costs in the attempt to modify or enhance the TIM Group's protective measures or investigate or remediate any vulnerability. Any loss of confidential or proprietary data through a breach could have a material adverse effect on the TIM Group's business, financial condition, results of operations and prospects. Pursuant to the applicable data protection regulations, if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure of the TIM Group's information technology security systems, employee negligence or the actions of its vendors, the TIM Group may be subject to legal claims by individuals, fines or other enforcement action. *See “—The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.”*

Future partnerships or joint ventures that the TIM Group enters into may not bring the expected financial results and could cause harm to its image as well as financial costs.

The TIM Group may enter into relationships with other businesses in order to expand the TIM Group's platform, which could involve preferred or exclusive licenses, additional channels of distribution, or discount pricing or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, and the TIM Group's ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond its control. Consequently, the TIM Group can make no assurance that these transactions, once undertaken and/or announced, will close.

Furthermore, the TIM Group's established partnerships are subject to common litigation risks and the TIM Group can make no assurance that these established partnerships or future partnerships will not become involved in any type of dispute. The TIM Group may also be required to initiate litigation to protect its interests.

The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.

As part of TIM Group's business strategy, it pursues strategic and opportunistic acquisitions, investments and dispositions, including the Transactions, any of which could be material to its financial condition or results of operations. The TIM Group cannot guarantee that it will be able to continue making such acquisitions, investments and dispositions and its ability to enter into these transactions may be limited by many factors, including availability of financing, complex ownership structures among potential targets and government regulation and competition from other potential acquirers. In addition, if the purchase price is paid in cash, it will reduce the TIM Group's cash reserves. Further, the TIM Group's debt burden may increase if it borrows funds to finance any future acquisition or investments, which could have a negative impact on its cash flows and its ability to finance its overall operations and make cash interest payments on its outstanding indebtedness. Even if the TIM Group is successful in acquiring new businesses or disposing existing business, the integration of such businesses may prove to be more difficult than it initially anticipated and could create unforeseen operating difficulties and expenditures. For example, in 2022, the TIM Group acquired Oi, which it expects will add strategic value to the TIM Group's portfolio of businesses. However, the TIM Group cannot assure that any benefits will materialize, and it may suffer losses in connection to the used funds and to the opportunity costs related to such transactions.

Additionally, acquisitions and investments pose certain risks, such as (i) identifying acquisition, partnership and joint venture targets, competition from competitors targeting the same acquisition or investment, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits (ii) diversion of managerial resources away from its day-to-day business operations and (iii) potentially dilutive issuances of equity securities to the extent that it issues new shares to fund an acquisition; and the assumption of unexpected liabilities and undisclosed risks.

Furthermore, certain contracts of the TIM Group contain “change of control” provisions that require the acquired or acquiring company to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. If a substantial number of these contracts are or will be terminated as a result of a potential acquisition or disposition, the TIM Group may be forced to enter into new contracts on less favorable terms, or it may be unable to secure replacements. While the TIM Group strives to mitigate unexpected liabilities and risks through contractual protections in its acquisition and disposition documentation, it cannot ensure that such protections will be effective. If the TIM Group enters into an acquisition or disposition agreement, but the acquisition or disposition is not consummated, the TIM Group may be liable for break-up fees or other payments, which may be material.

Goodwill impairments may be required in relation to acquired businesses.

The TIM Group has recorded a significant amount of goodwill. As of December 31, 2023, after giving *pro forma* effect to the Transactions, its total goodwill, which represents the excess of the cost of acquisitions over interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, amounted to €11,467 million, representing 23.5% of its total assets. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of). Additionally, the TIM Group has made business acquisitions in the past and may make further acquisitions in the future. See “—*The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.*” It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written down if the valuation assumptions are required to be reassessed as a result of any deterioration in the underlying profitability, asset quality and other relevant matters of the businesses. According to the relevant IFRS accounting standard, impairment testing in respect of goodwill is performed annually, or more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Accordingly, there can be no assurances that the TIM Group will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

The TIM Group is dependent on intellectual property rights, particularly trademarks, logos and domain names, and inadequate protection of its intellectual property rights, or intellectual property rights litigation, could adversely affect its business.

The TIM Group relies on its trade names, trademarks, logos, domain names, copyrights, patents and trade secrets, as well as licenses and other agreements with its vendors and other parties, to use its technologies, conduct its operations and sell its products and services. The TIM Group relies upon a combination of copyright, trademark and patent laws to establish and protect its intellectual property rights, but it cannot be assured that the actions the TIM Group has taken or will take in the future will be adequate to prevent violation of its proprietary rights. The TIM Group cannot assure that measures taken in Italy, Brazil and elsewhere to protect its intellectual property rights, particularly its trademarks, logos and domain names, will be effective or that third parties will not infringe or misappropriate its intellectual property rights. There can be no assurance that litigation will not be necessary to enforce its trademark or proprietary rights, such litigation may be costly, and could ultimately be unsuccessful in enforcing its intellectual property rights. Any of these factors could have a material impact on the TIM Group’s business, financial condition and results of operations.

The TIM Group operates in an industry characterized by frequent disputes over intellectual property. Its competitors may engage in hostile intellectual property action. Given the evolving high-tech nature of its business, the TIM Group

has set up mechanisms to comply with all intellectual property laws to which it is subject, but there can be no assurance that the TIM Group is not infringing, or will not infringe, the intellectual property rights of third parties. As the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against it may correspondingly increase. Any such claims or lawsuits, whether with or without merit, could be expensive and time consuming to defend, could cause the TIM Group to cease offering its licensing services and products that incorporate the challenged intellectual property, or could require it to develop non-infringing products or services, if feasible, which could divert the attention and resources of technical and management personnel as well as substantial capital resources. In addition, it cannot be guaranteed that the TIM Group will prevail in any litigation related to infringement claims against it. A successful claim of infringement against the TIM Group could result in a requirement to pay significant damages, cease the development or sale of certain products and services that incorporate the challenged intellectual property, obtain licenses from the holders of such intellectual property, which may not be available on commercially reasonable terms, or otherwise redesign those products to avoid infringing upon others' intellectual property rights.

The complexity of the TIM Group's governance structure could influence, delay or hinder strategic and management decisions.

The TIM Group's governance structure is complex, in part due to the large diffusion of its shareholding which is subject to continuous change. As a result of this complexity, it is possible that the TIM Group's strategic and management decisions could be influenced, challenged, delayed or hindered, which may adversely affect its operating results and financial condition. See "Business of the TIM Group—Legal Proceedings and Disputes" for further information.

As of December 31, 2023, the largest shareholders in TIM are Vivendi and Cassa Depositi e Prestiti S.p.A., which hold 23.75% and 9.81%, respectively, of TIM's outstanding ordinary shares.

Failure to meet stakeholders' Environmental, Social and Governance ("ESG") expectations as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.

The TIM Group's operations and value chain have negative environmental impacts, in particular in terms of greenhouse gas ("GHG") emissions and of electronic waste ("e-waste"). The majority of the TIM Group's GHG emissions are generated in the supply chain, while e-waste is primarily associated with end of life of mobile devices, routers and network equipment.

The TIM Group is subject to increasing requirements and expectations from its stakeholders to manage these negative impacts. There is also increasing regulatory and self-regulatory pressure worldwide in relation to areas such as energy efficiency in data centers and extending the lifetime of electronic devices. Compliance with such requirements may lead to increased operational and financial costs and cost of capital for the TIM Group.

The TIM Group has set itself the goal of becoming carbon-neutral by 2030, also due to a commitment to purchase 100% renewable energy by 2025.

Furthermore, the TIM Group has committed to achieve net zero emissions by 2040 and to reach a 47% reduction in the emissions of its value chain (Scope 3) relating to the purchase of goods and services, the purchase of capital goods and the use of products sold to customers.

The worsening of climate change increases the likelihood and severity of extreme weather events such as heat waves, floods and windstorms which may cause severe disruptions to telecommunications and ICT services, reduce the work efficiency (hours actually worked), have a consequential impact on the TIM Group's business. More extreme weather may also drive the need for additional investments in cooling technology and other more resilient infrastructure; the risk that external environmental condition can pose for business continuity could increase the weighted average cost of capital (WACC). Failure to implement circular business models such as offering of products and services designed with eco-sustainable criteria or the use of recyclable materials may lead to lost opportunities for cost savings and a failure to realize additional revenues. Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could also increase operational costs for the TIM Group.

Moreover, there is a global trend towards ESG-related financial disclosure. Several number of countries have established mandatory disclosure regimes and/or set timelines for the implementation of legislation regarding mandatory climate, social and governance related disclosure requirements. For example, the European Commission has established a number of sustainability-related reporting and compliance regimes, including the Non-Financial Reporting Directive and the Corporate Sustainability Reporting Directive, which will enhance the scope and reporting requirements under the Non-Financial Reporting Directive, as well as proposals for new regulatory regimes that are aimed at, for example, prohibiting corporates from placing or making available on the EU market or exporting from the EU market products made with forced labor; requiring companies to identify, prevent, bring to an end, mitigate and account for adverse human rights and environmental impacts in operations, subsidiaries and value chains; and enhancing gender pay reporting requirements. The sustainability reporting shall comply with the EU Sustainability Reporting Standards (“**ESRS**”), which will increase mandatory reporting requirements. The ESRS will require to disclose information aligned with the EU Taxonomy (2020/852/EU) as well as climate-related information in line with the recommendations of the Task Force on Climate-Related Disclosure. Potentially, the failure to adopt criteria aligned to the EU legislation on Taxonomy could have impacts also on the sources of financing.

Failure to meet regulatory and stakeholders’ requirements or expectations regarding ESG topics may lead to reputational loss, loss of business or limit access to sustainable finance as well as to the imposition of fines and other regulatory constraints. Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could increase operational costs for the TIM Group.

For further information see “*Business of the TIM Group—Sustainability of the TIM Group.*”

Failure to close the digital divide may adversely affect the TIM Group’s business, financial condition and results of operations.

The digital divide represents a major obstacle to the spread of digitization and the related connectivity services with a risk due to the lack of correlation between the supply of advanced TLC products and services and the demand for traditional products/services.

The TIM Group is highly committed to promoting digital inclusion and has engaged in, among other things, NRRP tenders, such as those for Connected Schools and Digital Health or the National Strategic Hub project aimed at strengthening the digitalization of the Italian public administration services.

The TIM Group also focuses on digital identity services in Italy: more than five million active services between certified e-mail address (“**PEC**”), Digital Signature and Public Digital Identity System (“**SPID**”) to allow citizens and businesses to access public administration’s online services.

Failure to successfully implement the TIM Group’s strategy to address the digital divide may lead to a reputational damage and revenue losses, which could adversely affect the TIM Group’s business, financial condition and results of operations.

Any changes in the TIM Group’s directorship and/or senior management could adversely affect the TIM Group’s business.

The TIM Group may face difficulties in realizing its strategic goals, such as executing its 2024-2026 Industrial Plan, the Delaying Plan and the Transformation Plan alongside making necessary adjustments required following, and as a result of, the Transactions. Maintaining consistent directorship and leadership may ease the transition into this new business phase. However, any changes in the TIM Group’s directorship and/or senior management could disrupt this continuity, potentially leading to delays, interruptions or deviations in the execution of the TIM Group’s strategic plans.

It is currently expected that on April 23, 2024, the shareholders’ meeting of TIM will convene to resolve, among others, on the appointment of a new board of directors of TIM (the “**New Board**”). There can be no assurance that the New Board will not face (i) hardships in executing the TIM Group’s strategic plan and its various objectives and/or (ii) difficulties in operating the TIM Group’s business following the completion of the Transactions. The New Board may be unable to effectively direct the new business or navigate through the goals and objectives of the 2024-2026 Industrial Plan and/or the Delaying Plan. If the New Board fails to implement or deviates from any aspect of the

TIM Group's strategic plan, this could have a material adverse effect on the TIM Group's business, financial condition, results of operations and cash flows.

Failure to recruit, retain and engage skilled employees may adversely affect the achievement of strategic objectives.

The TIM Group's ability to attract and retain qualified, specialized and motivated personnel is a key success factor in the pursuit of strategic objectives and in maintaining customer satisfaction.

The demand and competition for talent in the ICT and cybersecurity sector is becoming increasingly challenging. In order to secure appropriate talent, the TIM Group needs to recruit, develop and retain highly skilled employees. Failure to recruit, develop and retain necessary skilled employees may impact the TIM Group's ability to develop new or high growth business areas and thereby deliver on the strategic objectives set out in the Strategic Plan.

Risks Related to Macroeconomic Conditions Affecting the TIM Group

The TIM Group operates in multiple jurisdictions and is exposed to a variety of macroeconomic factors, which may impact its operating results and financial position.

The TIM Group's international presence enables the diversification of its activities across various countries, but it also exposes the TIM Group to diverse legislation, as well as to the political developments and economic environments of the countries in which it operates. Any adverse developments in this regard, particularly in the key markets in which the TIM Group operates (Italy and Brazil) including exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect the TIM Group's operating results and financial condition and/or may hinder the TIM Group's cost saving objectives set out in the Strategic Plan.

Fluctuations in currency exchange and interest rates and the performance of, or any adverse changes in, the financial markets in general may adversely affect the TIM Group's results.

In the past, the TIM Group has made substantial international investments, particularly in Latin America, significantly expanding its operations outside of the Eurozone.

The TIM Group's non-current operating assets are located as follows:

- Italy: as of December 31, 2023, €40,769 million (83.7% of total non-current operating assets); and
- Outside of Italy: as of December 31, 2023, €7,917 million (16.3% of total non-current operating assets). Non-current operating assets outside of Italy are primarily denominated in BRL.

The TIM Group generally hedges its foreign exchange exposure but does not cover conversion risk relating to its foreign subsidiaries. According to its policies, the hedging of the foreign exchange exposure related to the financial liabilities is mandatory. Movements in the euro exchange rates relative to other currencies (particularly the BRL) may adversely affect its consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which the TIM Group operates or have made investments will reduce the relative value of the revenues or assets of its operations from those countries and, therefore, may adversely affect its operating results and financial position.

In addition, the TIM Group has raised, and may raise an increasing proportion, financing in currencies other than the Euro (principally U.S. dollars and BRL). In accordance with its risk management policies, the TIM Group generally hedges the foreign currency risk exposure related to non-Euro denominated liabilities, through cross-currency and interest rate swaps. However, hedging instruments may not be successful in protecting the TIM Group effectively from adverse exchange rate movements.

The TIM Group aims to minimize the impact of negative interest, in part by hedging its exposure to negative interest through the use of derivatives instruments. Any changes in interest rates that have not been adequately hedged by derivative contracts may result in increased financial liabilities in connection with the TIM Group's floating rate debt, which may have adverse effects on the results of its operations and cash flows.

An increase of sovereign spreads, and of the default risk they reflect, in the countries where the TIM Group operates, may affect the value of its assets in such countries.

The TIM Group may also be exposed to financial risks such as those related to the performance of the equity markets in general, and, more specifically, risks related to the performance of the share price of the TIM Group companies.

The TIM Group may be exposed to financial risks, such as those deriving from fluctuations of interest and exchange rates, credit risk, liquidity risk and general risks associated with the financial markets that it is exposed to and, more specifically, risks associated with deviations in the stock price of the TIM Group's subsidiaries. Such risks can have a negative impact on the financial results and structure of the TIM Group.

Financial markets may also suffer from adverse macroeconomic conditions. During 2021 and 2022, uncertainty surrounding global growth rates, the impact of the COVID-19 pandemic and the Russian-Ukraine military conflict have affected companies' access to the credit markets, leading to higher borrowing costs for funding ongoing operations. While the TIM Group may prove to be successful in accessing the credit and fixed income markets when needed, adverse changes in the financial markets could render it able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting its business operations. Additionally, downgrades of its credit rating by the major credit rating agencies could increase its cost of borrowing and also impact the collateral the TIM Group would be required to post under certain agreements it enters, which could negatively impact its liquidity.

Therefore, in order to manage such risks, the TIM Group has established the guidelines for operational management, identification of the financial instruments most suitable to meet the objectives set and monitoring the results achieved. In particular, and in order to mitigate liquidity risks, the TIM Group aims to maintain an "adequate level of financial flexibility," in terms of cash and committed syndicated credit lines in order to cover its financing needs for 12-18 months, at minimum.

Any significant increase in interest rates could therefore lead to an increase in TIM Group's debt service expenses, which would have a material adverse effect on the TIM Group's business, financial condition, results of operations and prospects.

Global economic conditions and political events could adversely affect the TIM Group's business, results of operations and financial condition.

The TIM Group's operations are influenced by global geopolitical events, including the ongoing Russia-Ukraine conflict and the recent military tensions between Hamas and Israel. These situations have indirect yet tangible effects on the TIM Group's business, primarily through increased costs in energy, raw materials and transportation.

At the moment the impact of the geopolitical situation on the TIM Group's business is of an indirect nature, primarily associated with the increase in costs of energy, materials and transportation. This geopolitical situation has contributed to a general rise in energy prices. In particular, for the TIM Sparkle entities (part of the TIM Group) that operate in areas impacted by the Ukraine-Russia conflict, there have been no significant repercussions in commercial relations, in the demand for international services from areas affected by the conflict and in the substantially regular collections of trade receivables. The TIM Group's assets in affected countries are not significant. The increase in energy prices has also led to an increase in inflation and ultimately in the cost of financing. Further, the Ukraine-Russia conflict may involve cyber-attacks against countries that support economic sanctions against Russia. The TIM Group, in coordination of the National Cybersecurity Agency ("ACN"), have raised the alert level of ICT monitoring for cyber security risks has implemented the technical indications from ACN.

The recent outbreak of an armed conflict between Hamas and Israel in early October 2023 presents a risk of regional escalation in the Middle East. Although the TIM Group does not engage in operations within Middle Eastern countries, the duration, ramifications and outcome of this conflict are highly uncertain. Potential short- or long-term consequences may include economic sanctions, economic and political instability, rising inflation and energy costs, supply chain disruptions and negative impacts on currency exchange rates and financial markets.

More generally, escalating geopolitical tensions, either in Europe or worldwide, could affect the TIM Group's operations, including the safety and security of its employees and the integrity of its network operations. These events, individually or in the aggregate, could materially and adversely affect the TIM Group's business, financial condition, results of operations and prospects.

There is a risk that Italy's economic growth in 2024 will experience a slowdown.

In the fourth quarter of 2023, Italy's gross domestic product expanded by 0.2% with respect to the previous quarter and by 0.6% compared to the fourth quarter of 2022. In 2023, Italy's gross domestic product at current prices grew by 6.2% compared to the previous year. The prospects for comparable growth in 2024 will hinge on Italy's employment growth, the deceleration of expansion and a partial increase in salaries.

A significant slowdown in Italy's economic growth could impact the demand for telecommunications products and services in Italy, which could have an adverse effect on the TIM Group's business, financial condition and results of operations.

The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy's employment rate and ultimately in the TIM Group's consumers' demand.

The Italian economy is facing significant risks due to an energy price shock and high inflation. The inflation rate in Italy, which has reached record highs of almost 12%, is putting pressure on real disposable incomes and weakening purchasing power, negatively impacting internal demand. If wages adapt to the new level of prices within a reasonable time lag (a number of wage agreements were concluded before the energy price shock commenced) and price pressures ease, private consumption may pick up again during the course of 2024.

High input costs and a prolonged tightening of financing conditions triggered by the more stringent monetary policies introduced by the major central banks to fight inflation will likely negatively affect corporate investments. The housing market will also be negatively impacted. Government capital spending (on the back of NRRP fund financed investment) is instead expected to remain robust. Significant increase in interest expenditure and the need for fiscal discipline is expected to reduce the measures.

Labor demand is already decreasing in more energy-intensive sectors such as manufacturing and construction, but employment growth has also slowed down in the retail and tourism sector. Overall, the unemployment rate, which as of December 31, 2023, was around 7.2% is expected to slightly rise over the next two years.

The Italian government's interest expenditure increased in 2021 by €5.5 billion due to higher bond yields on its debt, although the interest expenditure relative to GDP remained stable at 3.5%, and there is a need to reduce the country's general government debt-to-GDP ratio, which reached 172.5% in 2022. As a result, the Italian government's financial maneuvering room will be very limited in the coming years, especially if European-level agreements on returning to fiscal discipline are implemented.

The above factors are affecting the spending capacity of the TIM Group's consumer and business customers leading to weaker demand, customers being less willing to pay for premium services and an increase in the risk of bad debts, which could each result in a reduction in the TIM Group's revenue and/or profit.

The economic outlook in Brazil is uncertain and any downturn in economic conditions in Brazil may have an adverse impact on the TIM Group's operations.

The Brazilian economy growth is affected by the slowdown in the global economy, in particular in the United States and China. Further, as a consequence of a restrictive monetary policy which served to restore credibility and stability to the Brazilian currency and to contain inflation, a slowdown in overall growth for the Brazilian economy in 2023 was expected and reached approximately 2.9%. The reduction in growth and the need to maintain subsidies for the poorest part of the population, as well as the growing of public and private debt, represent the main risks and challenges that the country is facing after the presidential elections at the end of the year.

Worsening market and financial conditions in Brazil could have adverse impacts on the TIM Group's Brazilian operations, which could have a material impact on the TIM Group's business, financial condition and results of operations.

Risks related to Brazilian political conditions may negatively affect the TIM Group's business.

Political conditions in Brazil may affect the confidence of investors and the public in general, as well as the development of the economy. Political crises have affected and continue to affect the confidence of investors and the

general public, historically resulting in economic deceleration and heightened volatility in the prices of securities offered by companies with significant operations in Brazil.

The most recent presidential elections in Brazil, held in October 2022, resulted in the election of Luiz Inácio Lula da Silva as President of Brazil. In 2023, the new government achieved significant advancements in the economic agenda, including the approval of the long-awaited tax reform, which has been under discussions for over forty years. Additionally, there was a comprehensive overhaul of the Administrative Council of Tax Appeals, a review of measures concerning tax credits and interest on equity and an extension of incentives for exploration profits. The approval of foundational economic themes by the National Congress demonstrated that the federal government, despite lacking a parliamentary majority, has been able to find consensus for voting on matters essential to the country's growth. However, there can be no assurance that the new government will be able to continue to positively contribute to Brazil's development.

Uncertainties regarding the new government's ability to implement policies and reforms, as well as the external perception of the Brazilian economy and political environment may materialize in the future, which could have a negative impact on the TIM Group's business. In particular, if the Brazilian government is unable to implement any necessary reforms this may lead to diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy and lead, in turn, to depreciation of the real and/or an increase in inflation and interest rates. Any such developments may have a material adverse impact on the TIM Group's business, results of operations, financial condition and prospects. Uncertainty about the Brazilian government's implementation of changes in policies, or regulations that affect such implementation, may contribute to economic instability in Brazil and increase the volatility of securities issued abroad by Brazilian companies, including TIM Group's securities.

Any of the above factors may create additional political uncertainty, which could harm the Brazilian economy and, consequently, the TIM Group's business, and could adversely affect its business, results of operations, financial condition and price of its common shares.

The COVID-19 pandemic has adversely affected the TIM Group's business, financial condition and results of operations and unexpected and uncertain events, such as the emergence of new variants of COVID-19, could significantly affect the TIM Group's operations.

Since its outbreak in December 2019, a pandemic caused by coronavirus, COVID-19, had spread globally and had created significant macroeconomic uncertainty and disruption, affecting markets where the TIM Group has operations, including Italy and Brazil. In response, many governments had implemented measures to stop or slow the COVID-19 pandemic, such as lockdowns, and these measures remained in place for a significant amount of time. The COVID-19 pandemic also led to scarcity of financing, weakness in the capital markets, weak consumer confidence and declining consumption in many markets. It also worsened the sovereign debt crises, particularly in the Eurozone. During the COVID-19 pandemic, the TIM Group had implemented measures to minimize health and safety risks, including social distancing, travel restrictions and working from home. Although such measures have now been lifted in line with government guidance, the TIM Group remains prepared to reintroduce necessary measures.

The COVID-19 pandemic and the response thereto had materially adversely impacted and may continue to materially adversely impact the TIM Group's business, as well as its various stakeholders. As a result of the COVID-19 pandemic, the TIM Group's operations experienced delays and disruptions, such as temporary closure of its distribution network, heightened pressure on its networks by remote working trends and increases in data usage. In addition, its mobile services revenue declined, particularly in the second quarter of 2020, including because of customers buying fewer new devices, travel restrictions disincentivizing customers from subscribing to roaming services abroad. The COVID-19 pandemic also negatively impacted TIM Group subscribers' ability to fulfil their payment obligations. The availability of lower disposable income also led to a decrease in the number of subscribers and types of subscriptions. In future, if business interruptions caused by epidemic or pandemics last longer than expected, the TIM Group may need to seek other sources of liquidity, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms and in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs. The extent to which it impacted the TIM Group's financial condition and results of operations is discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*," included elsewhere in this Exchange Offer Memorandum.

The repercussions of the COVID-19 pandemic and the response implemented could have complex and hard-to-predict consequences for the future. Additionally, to the extent the COVID-19 pandemic continues, or a different pandemic begins, it may also have the effect of heightening other risks described in this “*Risk Factors—Risks related to the TIM Group*” section. The possibility of new outbreaks of COVID-19, cannot be completely excluded. It may affect the TIM Group’s operations by resulting in, among other things, declines in roaming volumes, shortage of electronic components and other items used to manufacture its network equipment, lower subscriber growth or increasing bad debt of businesses and consumer subscribers. It may also have significant negative effects on network improvements and maintenance, procurement and the supply chain, as well as decreasing margins, lower revenues or delays in cash flows. Such instability and any resulting market volatility may create contagion risks in jurisdictions where TIM Group operates. Additionally, any deterioration in financial markets could impair the TIM Group’s ability to obtain financing in the future, including its ability to incur additional indebtedness to operate its ongoing operations, fund liquidity needs or to refinance or repay debt obligations. Any of the foregoing risks could materially and adversely affect the TIM Group’s business, financial condition and results of operations.

The TIM Group may be unable to respond to the trend towards consolidation in the Brazilian telecommunications market.

The Brazilian telecommunications market has been subject to market consolidation. For example, in 2014, Telefónica S.A. acquired all of the shares of GVT Participações S.A from Vivendi. In 2019, Nextel Brazil was acquired by Claro S.A. In August 2020, Bordeaux Fundo de Investimentos (“**Bordeaux**”) acquired the Brazilian regional operator Sercomtel Telecomunicações following its privatization. Subsequently, in November 2020, Bordeaux was successful in a competitive auction to acquire Copel-backed Copel Telecom. In 2022, the TIM Group acquired Oi.

The economic and regulatory environment faced by some relevant telecommunications companies in Brazil, such as Sercomtel, a local phone and Internet service provider in the state of Paraná, and Sky, could also be expected to encourage the consolidation trend or even the entry of a new competitor in the Brazilian telecommunications market. In 2018, via a new resolution, Anatel reduced one of the main regulatory barriers to consolidation in the mobile market. Resolution No. 703/2018 changed the spectrum cap regulation by increasing the amount of spectrum bandwidth an operator is allowed to retain, depending on frequency range and applicable antitrust measures. If such consolidation occurs, it may result in increased competition within the telecommunication market. The TIM Group may be unable to adequately respond to pricing pressures resulting from consolidation in the market, adversely affecting its business, financial condition and results of operations. On November 5, 2020, Anatel Resolution No. 736/2020 amended Resolution No. 703/2018 by establishing new maximum limits for the spectrum between 1 GHz and 3 GHz, with the allocation of L Band (+90 MHz in the 1.5 GHz band) for SMP. The TIM Group may also consider engaging in merger or acquisition activity in response to changes in the competitive environment, which could divert resources away from other aspects of the TIM Group’s business. See “—*The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.*”

Risks Related to the TIM Group’s Legislative and Legal Framework

The Italian Golden Power Authority has exercised, and may in the future exercise, its special powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group’s ability to enter into strategic transactions.

In Italy, the Italian Golden Power Legislation provides the Italian Golden Power Authority with certain special powers over companies of strategic importance for the national essential interest.

In particular, pursuant to the Italian Golden Power Legislation, the Italian Golden Power Authority may, among other things, exercise a veto or impose undertakings, conditions and other requirements in certain cases, such as:

- (i) the acquisition of certain shareholdings in companies having assets and relationships in sectors qualified as strategic, such as, among others, defence and national security, energy, transport, communications, financial, healthcare, agri-food, critical technologies and personal data processing (the “**Strategic Companies**”); and

- (ii) resolutions, acts or transactions concerning Strategic Companies that hold strategic assets, and which involve a change in the ownership, control, possession or intended use or purpose of such assets or relationships of strategic importance, such as mergers, de-mergers, transfers of assets or business units in which such assets are included and the enforcement and, according to a prudential interpretation, the granting or extension of securities over (i) the shares, if it concerns a shareholding in a Strategic Company meeting or exceeding, as the case may be, the thresholds indicated below or (ii) strategic assets.

With reference to the acquisition of shareholdings in Strategic Companies, the Italian Golden Power Legislation provides that the following transactions shall be communicated to the Italian Golden Power Authority for screening purposes and the possible exercise of the veto right or the imposition of undertakings, conditions and/or other requirements:

- acquisitions by both EU/EEA (including Italian) and non-EU/EEA natural persons or legal entities of shareholdings in Strategic Companies in the defense and national security sectors exceeding 3% of the share capital and/or voting rights, and subsequently in the event of exceeding the thresholds of 5%, 10%, 15%, 20%, 25% and 50%;
- acquisitions, by non-EU/EEA natural persons or legal entities, of a stake representing at least 10% of the share capital and/or the voting rights (when the value of the investment is equal to at least €1.0 million) of a Strategic Company in any sector covered by the Italian Golden Power Legislation; acquisitions that exceed the thresholds of 15%, 20%, 25% and 50% or that in any case result in the acquisition of control over the relevant Strategic Company are also subject to the reporting obligation; and
- acquisitions, by EU/EEA (including Italian) natural persons or legal entities of control over Strategic Companies in the energy, transport, communication, water, health, financial and agri-food sectors.

The Italian Golden Power Legislation provides for specific sanctions to be applied in case of non-compliance with its provisions, including, among others, administrative pecuniary sanctions up to two times the value of the transaction and in any case not less than 1% (of the company turnover or of the cumulative turnover of the companies involved in the relevant transactions) as resulting from the last financial year for which the financial statements have been approved. In addition, failure to comply with the Italian Golden Power Legislation or with any veto, undertaking, condition and/or other measure imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void.

In addition to the above, by Italian Legislative Decree No. 21 of March 21, 2022, converted into law with amendments by Italian Law No. 51 of May 20, 2022, Italian Golden Power Legislation was amended, requiring Strategic Companies operating in the telecommunications sector to provide the Italian Golden Power Authority in advance with an annual plan of purchases of goods, including in particular technology-intensive components, and services relating to the design, implementation, maintenance and management of activities regarding broadband communication services based on 5G technology. The said purchases plan is subject to approval of the Italian Golden Power Authority, possibly with the imposition of undertakings, and can be updated by the relevant Strategic Company on a quarterly basis, subject to a new application to the Italian Golden Power Authority.

On October 16 and November 2, 2017, specific provisions regarding corporate governance and organization were imposed on the TIM Group through two Prime Ministerial Decrees. Among these, the establishment of a security organization (the “**Security Organization**”) was imposed, which is responsible for activities relevant to national security and involved in all decision-making processes relating to strategic activities and the network. This structure provides that the Security Organization relies on a security officer, who reports to a member of the board of directors with exclusive responsibility for security.

On January 16, 2024, the Italian Golden Power Authority issued a decree with which it imposed undertakings in reference to the Acquisition, as the NetCo Business was considered as a strategic asset for the telecommunications sector and for defense and national security. For more information, see “*Risks Related to NetCo—Risks Related to NetCo’s Legislative and Legal Framework—The Italian Golden Power Authority has in the past exercised its special powers under the Italian Golden Power Legislation with respect to the TIM Group and may in the future exercise again the said special powers, including with respect to strategic transactions to be entered into by NetCo.*” In particular, the Italian Golden Power Authority has imposed various requirements and conditions including in relation

to governance, internal organization (confirming the obligation to establish a Security Organization), planning, compliance, network security, continuity of supplies, the locations where certain activities can be carried out and certain assets can be located, the supply chain, intellectual property and information. Furthermore, NetCo is required to provide every six months to the monitoring committee of the Italian Golden Power Authority a compliance report describing the measures implemented by NetCo in order to comply with these requirements.

In light of the above, in relation to the corporate aspects of NetCo, the Italian Golden Power Authority may veto or impose undertakings, conditions and/or requirements to consent to the implementation of any transaction, act or resolution falling within the scope of application of the Italian Golden Power legislation. Consequently, following the successful completion of the Transactions, the right of the TIM Group and NetCo to pursue resolutions, deeds or commercial or industrial operations which provide for, among other things, the acquisition or subscription of their shares will remain subject to the Italian Golden Power Authority and the Italian Golden Power Legislation. Therefore, the TIM Group and NetCo may not be authorized to undertake such transactions, acts or resolutions in a timely manner, without restrictions and/or undertakings which may or may not have a material impact. Pursuant to Italian Golden Power legislation, the Push-Down Merger will also be the subject of a new application to the Italian Golden Power Authority.

Anatel classified the TIM Group as an economic group with significant market power in some markets and are now subject to increased regulation.

In July 2018, Anatel published Resolution No. 694/2018, or the “New PGMC,” revising the general plan for competition goals (Plano Geral de Metas de Competição) (“**PGMC 2012**”). Under the New PGMC, TIM Group has been classified as having significant market power in the following relevant markets: (i) mobile network; (ii) national roaming; and (iii) high-capacity data transport. Due to such classification, the TIM Group is subject to increased regulation under the New PGMC, which could have an adverse effect on its business financial condition, results of operations and compliance with regulations. In the Brazil national roaming market, the TIM Group must also offer roaming services at regulated rates to other mobile providers. The new PGMC is currently under review by Anatel and a new regulation is expected to come into force in the second half of 2024, after a public consultation to proposed to be held in the second half of 2023.

The TIM Group’s radio frequency (“**RF**”), authorizations for the 800 MHz, 900 MHz, 1,800 MHz and 2,100 MHz bands that it uses to provide PCS services started to expire in September 2007 and are renewable for one additional 15-year period, requiring payment at every two-year period equal to 2% of the prior year’s revenue net of taxes, by way of investment under the basic and alternative service plans, which are intended to increase telecommunications penetration throughout Brazil. Anatel has stated that the revenue on which the 2% payment is based should be calculated as including revenues derived from interconnection as well as additional facilities and conveniences. As a result, the TIM Group is currently disputing these RF authorization renewal payments both administratively and judicially. Although there are administrative procedures still pending on analysis, Anatel has denied the TIM Group’s appeals and issued Precedent No. 13, determining that revenues from interconnection as well as additional facilities and conveniences should be considered on the basis of the calculation of the price due to the renewal of the spectrum licenses. Judicially, the matter is also still under dispute. In December 2018, under Judgment No. 706 and No. 707, Anatel approved a new radiofrequency revenue segregation methodology to be applied. The application of this new methodology allows the segregation of significant market power revenues by the percentage of radiofrequency extended in relation to the total of existing radiofrequencies, both expressed in the amount of MHz, and addresses part of the dispute about the values to be paid by the TIM Group due in connection with the initial renewal process. After the expiration of the second renewal of radiofrequency use rights, there may be new administrative and judicial discussions and disputes regarding the applicable calculation methodology and deadlines after the approval of Law No. 13,879, of October 3, 2019. The Federal Court of Accounts ruled that such renewal process may be subject to a new bidding procedure. However, Anatel has granted the TIM Group and other competitors extensions for shorter terms until a decision has been made on how to proceed with the radiofrequency use rights.

Finally, both of the above aspects are under revision by Anatel: the Spectrum Use Regulation (“**RUE**”), which must rely on a “use it or share it” principle to ensure spectrum usage in a secondary basis; in addition to the revision of the PGMC Regulation, in order to create a new significant market power for RAN sharing agreements. Anatel is assuming that these initiatives could leverage the competition in the mobile market. However, there can be no assurance that the actual outcome of the revision undertaken by Anatel and/or the factual implementation of these new regulation may bring the expected results.

The TIM Group operates under authorizations granted by government authorities and has to satisfy certain obligations in order to maintain such authorizations.

Many of the TIM Group's activities require authorizations from governmental authorities both in Italy and abroad. These authorizations specify the types of services the operating company holding such authorization may provide. The continued existence and terms of the TIM Group's authorizations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. In addition, its current authorizations to provide networks and services require that the TIM Group satisfies certain obligations, including minimum specified quality levels, service and coverage conditions. Failure to comply with these obligations could result in the imposition of fines or even in the revocation or forfeiture of the authorization. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for a particular network build-out. If the TIM Group fails to renew any of its licenses, permits, or authorizations, the TIM Group's ability to effectively operate relevant businesses may be materially and adversely affected. The procedure to obtain licenses, permits, and authorizations (and renewals thereof) may be complex, lengthy, expensive and may require ongoing compliance with various obligations. Moreover, even if the TIM Group obtains the renewal of its licenses, permits, and authorizations, the costs for obtaining those might be higher than those it expected. Finally, if the TIM Group fails to comply with the requirements of the applicable legislation and regulatory framework in general, which are very detailed and complex in nature, its authorizations may be suspended or terminated, or significant fines imposed.

Additional authorizations may also be required if the TIM Group expands its services into new product areas, and such authorizations may be related to auctions (e.g., in the assignment of spectrum right of use) or otherwise prove expensive or require significant cash outlays, or have certain terms and conditions, such as requirements related to coverage and pricing, with which the TIM Group may not have previously had to comply.

In Brazil, the TIM Group also operates under an authorization regime and, as a result, it is obliged to maintain minimum quality and service standards. In December 2019, Anatel approved the new Telecommunications Services Quality Regulation ("RQUAL"), based on reactive regulation. In this new model, quality is measured on the basis on three main indicators – a Service Quality Index, a Perceived Quality Index and User Complaints index – and operators are classified into five categories (A to E). Under this regulation, Anatel may take measures according to specific cases, such as consumer compensation, adoption of an action plan or adoption of preventive measures to ensure improvements in quality standards, generating a risk of impact on planned investment volumes, expected revenues and potential penalties. Following a joint effort by Anatel, operators, and the Quality Assurance Support Authority to define the objectives, criteria and reference values of the indicators by the end of November 2021, Anatel's board of directors formalized the reference documents supporting this regulation: the Operational Manual and the Reference Values; and established the entry into operational effectiveness on March 1, 2022. Currently, the results of quality indicators are already being disclosed monthly by the agency on its website. Specifically, regarding the Quality Seal (which encourages competition in quality), in November 2023, the agency determined the temporary and partial suspension of the Reference Values Document and the quality seals for the years 2022 and 2023 and granted a 120-day period for the submission of new proposals for reference methods and parameters for defining the quality seals.

The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.

In the ordinary course of business, the TIM Group processes personal data on customers, business partners, employees, users, third parties and others and therefore it must comply with strict data protection and privacy laws and regulations. Any processing of personal data of individuals located in the EEA in the course of the provision of services is governed by European data protection laws and regulations, which restrict its ability to collect, process and use personal data relating to customers, potential customers, business partners, and employees, including for marketing purposes.

Such laws and regulations concern the collection, use, retention, security, processing and transfer of personal data. In particular, starting from May 25, 2018, the TIM Group's operations are subject to the provisions of Regulation (EU) 2016/679 of April 27, 2016 ("GDPR") and to the Italian Legislative Decree No. 196/2003, as amended by Italian Legislative Decree No. 101/2018, which adapted Italian rules to GDPR ("Italian Privacy Code"). The GDPR increased both the number and the restrictive nature of the obligations binding the TIM Group, in particular with respect to the collection, processing and use of personal data. Such obligations include, for example, (i) the processing of personal data in accordance with the transparency, data minimization, accuracy, storage limitation, security and confidentiality principles, (ii) the ability to demonstrate compliance with such principles (accountability), (iii) the

obligation to identify a legal basis before the processing, (iv) the obligation to ensure the rights of data subjects, such as, among others, the right of access, the right to rectification and the right to erasure (which would require the TIM Group to permanently delete a user's personal data in certain circumstances) and (v) more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the former regime. The GDPR obligates companies to implement several formal processes and policies as well as to review and document the data protection implications of the development, acquisition, or use of all new products, technologies, or types of data. The GDPR, *inter alia*, provides for significant applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the former regime. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). In addition, according to the Italian Privacy Code, certain criminal sanctions could be applied to individuals involved in unlawful processing activities.

The regulatory environment governing the TIM Group's use of data relating to identifiable individuals (customers, employees and others) is complex. Privacy and information security laws and regulations change frequently, and compliance with such laws and regulations may require the TIM Group to incur significant costs to make necessary systems changes and implement new administrative processes.

For example, the European Commission has proposed to replace Directive 2002/58/EC on Privacy and Electronic Communications (the “**ePrivacy Directive**”) with a new regulation primarily aimed at aligning certain provisions of the ePrivacy Directive to the GDPR. The Proposal for a Regulation on Privacy and Electronic Communications (the “**ePrivacy Regulation**”) was published by the European Commission on January 10, 2017 and is currently under negotiation in light of the draft proposals issued by the European Parliament and the European Council. The draft ePrivacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personally identifiable information, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the ePrivacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company.

The TIM Group has executed a deep gap analysis, identified the main issues, and consequently planned and deployed a master plan to reach full compliance with the GDPR requirements as well as with the Italian Privacy Code. It constantly monitors regulatory developments, measures and opinions adopted by the Italian Data Protection Authority (*Autorità Garante per la Protezione dei Dati Personali*) and adopts all the necessary initiatives needed to fulfil compliance with the aforementioned provisions. The TIM Group, in this context, is also committed in maintaining and verifying continuously the effectiveness of the adopted controls and engages in communications with the Italian Data Protection Authority with respect to data security matters where it deems necessary or advisable.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data processing, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with the Italian Data Protection Authority and to be sanctioned with heavy fines. Any failure, or perceived failure, by the TIM Group to comply with any applicable data protection laws and regulations could result in proceedings, investigations or actions (including class actions) brought against it by governmental entities, or agencies; or private individuals or entities, and in significant fines, penalties, judgments and reputational damages to the TIM Group business, requiring it to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect its business, financial condition, results of operations and prospects. Moreover, the risk of personal data breaches can lead to disputes with the interested data subjects. Even the perception of data protection and privacy concerns, whether or not valid, may harm the TIM Group's reputation and inhibit its business with current and future customers, which could have an adverse effect on its business, financial condition and results of operations.

The TIM Group's activities could be materially negatively affected by failure to comply with Brazilian Data Protection Laws.

The TIM Group's operations and reputation could be materially negatively affected by cyber-security threats or its failure to comply with new data protection laws, mainly the Brazilian General Data Protection Law (Law No. 13,709/2018) (“**LGPD**”), which came into effect on September 18, 2020, following the President of Brazil's veto of Article 4 of Provisional Measure No. 959/2020, which established that the LGPD would only come into effect on May 3, 2021. However, the administrative sanctions provisions of LGPD only became enforceable as of August 1, 2021,

pursuant to Law No. 14,010/2020. Any proceeding or action and related damages could be harmful to the TIM Group's reputation, force it to incur significant expenses, divert the attention of its management, increase its costs of doing business or result in the imposition of financial penalties.

In addition, Decree No. 10,474/2020 created the regulatory agency of the National Data Protection Authority ("ANPD"). The ANPD must ensure the protection of personal data and will deal with cases regarding commercial and industrial secrets in Brazil. ANPD is also responsible for developing guidelines for the Protection of Personal Data and Privacy National Policy and for inspecting and applying sanctions in the event of data breaches according to resolution cd/ANPD No. 1, of October 28, 2021.

Moreover, ANPD can issue regulations and procedures to protect personal data and privacy, as well as responsible for assessing the impact of personal data protection in scenarios that may be deemed as a high risk to personal data protection principles. As a result of ANPD's new regulations and procedures, the TIM Group may be required to change its business practices and implement additional measures to adapt its personal data processing activities. This could adversely affect the TIM Group's business, financial condition, or results of operations. The TIM Group cannot assure potential investors that its LGPD compliance efforts will be deemed appropriate or sufficient by regulatory authorities or by courts. The TIM Group is carrying out a continuous assessment to identify any problems and based on the results identified, it has implemented controls in order to achieve full compliance with the requirements of the LGPD. However, deficiencies in the full adoption of data security measures, implementing personal data processing and retention requirements and reporting data measures within a narrow mandatory time frame could lead to disputes with data protection authorities, fines or harm to the TIM Group's reputation.

Sophisticated information and processing systems are vital to the TIM Group's growth and its ability to monitor costs, render monthly invoices, process customer orders, provide customer service and achieve operating efficiencies. The TIM Group cannot assure that it will be able to successfully operate and upgrade its information and processing systems or that it will continue to perform as expected without any failure. A severe failure in its accounting, information and processing systems could impair its ability to collect payments from customers and respond satisfactorily to customer needs, which could adversely affect the TIM Group's business, financial condition and results of operations.

EU regulation of the levels of roaming charges may in the future have a material adverse effect on the TIM Group's business.

EU regulators have imposed price caps applicable to all operators in the EU at wholesale level. In particular, in 2022, the European Regulation (EU) No. 2022/612 of the European Parliament and the European Council of April 6, 2022 on roaming on public mobile communications networks within the EU came into effect. Pursuant to the latter regulation, the maximum wholesale prices for roaming mobile services (calls, SMS and mobile data) shall decrease according to a glide path culminating with maximum prices for voice, SMS and data services, respectively, of € 1.9 cent/min, € 0.3 cent/SMS and 1 €/GB. In general terms, reduction of prices of mobile roaming services, as well as operation of alternative roaming providers may have a material adverse effect on the TIM Group's business, financial condition and results of operations.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. The allocation of the frequencies required for rolling out and operating 5G networks have heightened the public debate and concerns about this issue. The TIM Group cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

The TIM Group's mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer, prevent the installation of mobile communication masts and wireless networks, affect network rollouts and the deployment of higher frequencies in the TIM Group networks, generate additional costs or investment, or result in potential claims and litigations. See also "—*The TIM Group may be subject to claims and penalties relating to the health and safety of its employees or of third parties.*" Additionally, as the TIM Group holds mobile communications

licenses, in light of the concerns about the potential health effects that could arise from exposure to mobile telecommunications equipment, it faces the risk that lawsuits may be filed against it in relation therewith. Further, the TIM Group installations, and particularly its 5G installations, may be subject to attack by members of the public.

In Brazil, Anatel Resolution No. 700/2018 sets limits of emission and exposure for fields with frequencies between 8.3 kHz and 300 GHz, and Anatel Act No. 17,865/2023 and Law No. 11,934/2009 establish limits related to the magnetic and electromagnetic emissions recommended by the World Health Organization and require that operators have to maintain a record of the measurements of the levels of the magnetic and electromagnetic emissions of each transmitting station. In 2021, Law No. 14,173/2021 came into force, which amended Law No. 11,934/2009, revoking the mandatory sharing of towers with less than 500 meters between them. The withdrawal of this obligation was considered essential for the implementation of 5G in Brazil, allowing for the expected increase in density for the new technology. Further, in 2022 Law No. 14,424/2022 came into force, which allowed operators to be authorized to install antennas, even if the competent authority does not respond within a period of 60 days.

Although laws already impose strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of radio base station towers or other infrastructure, which may hinder the completion of network buildouts and the commercial availability of new services and may require additional investments.

The TIM Group is exposed to risks in connection with fraud.

The TIM Group is exposed to risks in connection with fraud. For example, it is subject to the risk of customers attempting to benefit from its services or goods without paying for them. In view of the large number of invoices that the TIM Group issues and the volume of its payment transactions, such fraud could represent heavy financial losses.

The TIM Group is also exposed to risks of fraud with potentially material adverse effects should such risks materialize. In today's environment of increasingly complex technologies, more virtual networks and faster implementation of new services and new applications, cases of fraud may arise that are more difficult to detect or control. For example, on February 29, 2024, the TIM Group was served with an order of seizure issued on February 2, 2024 by the preliminary investigation judge (*giudice per le indagini preliminari*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. Such preventive measure related to an alleged cyber fraud (*frode informatica*) pursuant to Italian criminal law allegedly conducted by Content Service Providers in the context of value-added services. Since becoming aware of these irregularities in 2019, TIM proactively reported the matter to the Public Prosecutor's Office of Rome. Following the investigation, these facts were determined to be a fraud committed against TIM. Nonetheless, TIM has taken swift action to safeguard its customers by refunding all known irregular activations and blocking any value-added services found to be affected by irregular activations. The TIM Group is not under investigation in these proceedings, however, any similar alleged case of fraud or any related criminal investigation in the aggregate could have a material adverse effect on the TIM Group's business, reputation, results of operation and financial condition.

The TIM Group's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conducts, for which TIM Group could be liable.

Any contact by the TIM Group's directors, employees, agents or partners with the public administration or procurement officers of private clients (including in the context of participations in auctions, interactions held with the public administration in the process of obtaining or renewing any authorization or license and any possible public contribution) involves risks associated with fraud, bribery, corruption, incorrect use of public contributions and other fraudulent activities by the TIM Group's employees and related investigations.

The TIM Group is also exposed to the risk that its directors, employees or agents commit IT related crime, which may consist of using the TIM Group's infrastructure to violate the IT systems of its competitors, unlawful access to banking data (including that of its customers) and damages to the IT systems and documents. In addition, the TIM Group may be subject to claims in connection with damage to property, business interruptions, unauthorized use of property, unauthorized entry or breach of security protocols, negligence, willful misconduct or other tortious acts by its employees or people who have gained unauthorized access to premises operated by the TIM Group. Such claims may be substantial and may result in adverse publicity for the TIM Group. The TIM Group's business activities may also

involve risks related to possible accidents, which may be due to its employees' activities or mistakes and may consist in crimes, breaches of security measures, damages to third parties or manslaughter.

The TIM Group has put in place an organizational model pursuant to Italian Legislative Decree 231/2001, in order to create a system of rules capable of preventing certain forms of unlawful conduct by senior management, executives and employees generally that might result in liabilities for it. The organizational model is adopted by TIM and by its Italian subsidiaries. A specific version of the organizational model has been adopted by the TIM Group pursuant to the anti-corruption Brazilian law (Law 12.846/13) and aligns with Legislative Decree No. 231/2001 of Italy, and international standards on anti-corruption, such as the Foreign Corrupt Practices Act and the UK Bribery Act 2010.

The TIM Group has also implemented, and will continue to maintain in force, policies, procedures, systems, and controls designed to ensure compliance by its directors, employees, consultants, partners, agents and third-party agents, representatives and intermediaries with applicable anti-bribery and anti-corruption legislation.

The organizational model is continuously reviewed and kept up to date to reflect changes in operations and in the regulatory environment. The TIM Group has established a 231 Steering Committee (management committee composed of Group Compliance Officer, the Chief Human Resources & Organization Office, the General Counsel and the Audit Director as listener) to prepare and consider proposals for changes to the model, for submission to the board of directors for approval.

Notwithstanding the existence of this model or any updates that the TIM Group may make to it, there can be no assurances that it will function as designed, or that it will be considered adequate by any relevant legal authority. Further, the TIM Group may be unable to detect or prevent every instance of unlawful conduct involving its directors, employees, consultants, partners, agents and third-party agents' representatives and intermediaries and/or may fail to adequately update and implement such policies, procedures, systems and controls. The TIM Group's monitoring systems may not be sufficient to prevent, detect and identify inadequate practices and violation of law by such individuals.

In particular, pursuant to Italian Legislative Decree 231/2001, the TIM Group may be held responsible for certain crimes committed in Italy or abroad including, among others, bribery, money laundering, corruption (including among private individuals), anti-competitive behavior, fraud against the state, corporate offenses, market abuse, certain tax and customs violations, and certain environmental and workplace safety violations in the TIM Group's interest or for the TIM Group's benefit, by individuals having a functional relationship with the TIM Group at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless the TIM Group is able to prove that such individuals fraudulently violated the internal control model and it was reasonably not possible for the TIM Group to avoid such violation. Liability, on top of minor administrative fines, may also attach in case the TIM Group fails to adequately implement a whistleblowing system and/or to follow up on whistleblowing reports according to applicable requirements, including Directive (EU) 2019/1937 on the protection of persons who report breaches of Union Law, and Italian Legislative Decree No. 24/2023. In such circumstances, the TIM Group may be subject to pecuniary fines, confiscation of profits or disqualifying sanctions (which could be applied also as interim measures during the investigations), including, subject to certain conditions being met, the termination of authorization, permits, licenses, concessions and financing arrangements, including facilitated financing, the suspension of the TIM Group's operations, or prohibitions on contracting with public authorities. The duration of these disqualifications could range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied for a longer duration period. As an alternative to the disqualifying sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated.

Any of the foregoing events may have a material adverse effect on the TIM Group's business, financial condition and results of operations.

The TIM Group is involved in disputes and litigation with regulators, competition authorities, competitors and other parties, including its shareholders, and is the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain.

The TIM Group is subject to numerous risks relating to legal (civil and criminal), tax, competition and regulatory (including health and safety) proceedings in which it is currently a party, or which could develop in the future. It is

also the subject of a number of investigations by judicial authorities. The TIM Group is also subject to a number of public civil actions and class actions that have been brought against mobile telecommunications providers in Brazil mainly relating to network quality, the expiration of prepaid usage credits, minimum term clauses, subscription fees, quality of service and the use of land to install the TIM Group's network sites. These suits include claims contesting certain aspects of the fee structure of the TIM Group's prepaid plans, hybrid (monthly billed fixed price), or so-called control plans and postpaid plans, which are commonplace in the Brazilian telecommunications industry. Additionally, federal, state and municipal tax authorities have questioned some tax procedures that the TIM Group has adopted and has raised questions regarding the calculation of the basis for certain sector-specific contributions. Moreover, there are tax proceedings arising from the acquisition of the former Intelig business (currently TIM S.A.) by the former parent company of the TIM Participações group, relating to the purchase price.

Furthermore, the TIM Group, and possibly also its directors and officers, may be subject to legal (civil and criminal) proceedings, such as derivative and direct suits from TIM's shareholders, which may challenge an action, or inaction, taken by TIM alleging an infringement of corporate purposes and/or a denial of shareholders' rights. For example, on December 15, 2023, Vivendi started legal proceedings before the Court of Milan challenging the validity and effectiveness of TIM's board resolution of November 5, 2023, which approved the Transactions and the Transaction Agreement. Vivendi argued that the Transactions required an amendment to TIM's corporate purposes approved by an extraordinary shareholders' meeting. Vivendi also contended that the resolution should have required shareholders' approval due to the alleged significant structural changes that will cause to TIM's activities. Vivendi also alleged the violation of the related party transactions procedure. Should Vivendi successfully prove the alleged violation of Italian corporate law, it could materially adversely affect the TIM Group's governance and reputation. For further information, please see "*Business of the TIM Group—Legal Proceedings and Disputes—Vivendi case.*"

Such proceedings and investigations are inherently unpredictable. In addition, as a result of certain alleged antitrust violations, the TIM Group may be subject to customers, competitors or other third parties' lawsuits for damages or out-of-court requests, which could result in significant liabilities. Legal, tax, competition and regulatory proceedings and investigations in which the TIM Group is, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on the TIM Group's results of operations and/or financial condition and cash flows in any particular period. Furthermore, its involvement in such proceedings and investigations may adversely affect its reputation.

If TIM, or another TIM Group company, faces an adverse decision in any of the legal proceedings to which it is a party, and is ordered to pay amounts greater than what it has recognized to cover potential liabilities, it may face adverse effects with respect to it and/or the TIM Group's operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. In recognizing potential liabilities, the TIM Group takes into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognized where liabilities are probable and can be estimated reliably. The provisions represent an estimate of the financial risk connected with the particular proceedings, in line with the relevant accounting standards. Nonetheless, the TIM Group may be obligated to meet liabilities linked to unsuccessful outcomes for proceedings that were not taken into consideration when calculating those reserves and the provisions made may not be sufficient to fully meet such obligations through use of its reserves. If any material disputes are resolved against the TIM Group, they could, individually or in the aggregate, have a material adverse effect on the TIM Group's results of operations, financial condition and cash flows.

For more details, please see "*Business of the TIM Group—Legal Proceedings and Disputes.*"

Failure to protect the TIM Group's image, reputation and brand could materially affect the TIM Group's business.

The TIM Group's success depends on its ability to maintain and enhance the image and reputation of its companies, of its existing products and services and to develop a favorable image and reputation for new products and services. The image and reputation of its products and services may be reduced in the future if concerns about the quality, reliability and cost-benefit analysis of its products and services, the quality of its support centers, the environmental footprint of its business and its capability to deliver to its customers the level of services advertised are raised, even if such concerns are unfounded, could tarnish its image and reputation of the image and reputation of its products and services. Restoring its image and reputation or that of its products and services may be costly and not always possible.

Any of the above factors could have a material impact on the TIM Group's business, financial condition and results of operations.

The use of Internet by the TIM Group's customers could cause it to suffer losses and adversely affect its reputation.

Pursuant to applicable Italian regulation, the TIM Group, as a host and provider of data transmission services, is required to inform competent authorities without delay of any alleged illegal or illicit activity by its customers of which it is aware. The TIM Group must also provide the authorities with any information it has identifying such customers. Any failure to comply with this obligation could cause it to become involved in civil proceedings or could harm public perception of its brand and services. Any such event could result in legal and/or regulatory proceedings.

The TIM Group is exposed to the risk of labor disputes, in particular as a result of its plan to restructure its labor costs.

The acceleration in technological transformation in the telecommunications sector has created the need to address integrated organizational review activities, digitalization of processes and adaptation of the skills and capabilities of all staff members.

Overall, the TIM Group has a good relationship with its workers and trade unions. However, there can be no assurance that the TIM Group's workers and trade unions will be fully satisfied with the Acquisition. Furthermore, material labor disputes may occur, including as a result of (i) claims from former employees of the TIM Group transferred to NetCo in the context of the Transactions, who may challenge their transfer and seek to be re-transferred to the TIM Group and (ii) the TIM Group's plan to restructure its labor costs, which could, individually or in the aggregate, have a material adverse impact on the TIM Group's operations. See "*Business of the TIM Group—Employees.*"

The TIM Group may be subject to claims and penalties relating to the health and safety of its employees or of third parties.

The TIM Group's operations are subject to environmental as well as health and safety laws and regulations, including those concerning occupational health. In most cases, the TIM Group is responsible for the safety of its personnel as well as any external worker operating at its premises and the general health wellbeing of its customers' employees and patrons who may work or do business nearby. If the TIM Group fails to implement safety procedures or if the procedures the TIM Group implements are ineffective, its employees and others may become injured. The TIM Group may incur significant costs, including fines, penalties (including operational bans), civil, criminal (also pursuant to Italian Legislative Decree No. 231/2001) and administrative sanctions as a result of violations of, or liabilities under the applicable health and safety laws and regulations. Under applicable Italian law, when workers become injured in connection with their duties and as a result are absent from work for more than 40 days, the relevant public prosecutor must open an investigation into workplace safety and, depending on the circumstances, may bring criminal proceedings against the TIM Group, its local officer entrusted with workplace safety or against its management or chief executive officer.

Incidents or similar occurrences may damage the TIM Group's reputation and negatively affect its reputation and result in criminal and/or administrative liability, including pursuant to Italian Legislative Decree No. 231/2001. See also "*Risks Related to the TIM Group's Business Activity and Industry—Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased Mobile Communications usage.*" and "*the TIM Group's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conducts, for which the TIM Group could be liable.*"

Risks Related to the TIM Group's Financial Information

The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.

During all historical periods covered by the financial statements included in this Exchange Offer Memorandum, and until the consummation of the Transactions, NetCo has been and will be part of the TIM Group. Accordingly, the TIM Group historical financial information cannot be used as a basis for evaluating the TIM Group's financial condition, results of operations and expected future performance following the Transactions.

The pro forma financial information of the TIM Group included in this Exchange Offer Memorandum was prepared solely for illustrative purposes and does not reflect, *inter alia*, the amount of goodwill that will be attributed by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (*Impairment of Assets*), at the Acquisition Closing Date and after the final determination of the purchase price for the Acquisition. The pro forma financial information of the TIM Group included in this Exchange Offer Memorandum is based on assumptions and its usefulness is, therefore, inherently limited. Such pro forma financial information is derived and give effect to the Transactions by applying certain pro forma adjustments to the historical consolidated financial statements of the TIM Group. In preparing the pro forma financial information of the TIM Group included in this Exchange Offer Memorandum, the TIM Group made certain adjustments to the historical consolidated financial statements of the TIM Group based on the TIM Group's management's data and information, currently available information and on assumptions that the TIM Group's management believes are reasonable. The estimates and assumptions used in the calculation of such pro forma financial information, including (i) the exclusion of the NetCo assets, FiberCop, Telenergia, (ii) an assumed debt transfer as part of the Exchange Offers and the unwinding of the relevant hedge contracts, (iii) an assumed cash-in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, (iv) the repayment of the FiberCop Intercompany Loan and (v) certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement, may be materially different from the actual results. For example, the TIM Audited Consolidated Pro Forma Carve-Out Financial Information does not reflect the potential cash relating to payments from TIM to NetCo or Infratel to reimburse part of the advance payments received by the TIM Group within the framework of the tenders for the "Italia a 1 Giga" Plan, the "Italia 5G" Plan, and the Fiber Backhauling Tender. See "*Regulation of the TIM Group—Regulatory Levies*" and "*Regulation of NetCo—Regulatory Levies*." In addition the pro forma financial information of the TIM Group includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. Furthermore, the pro forma financial information of the TIM Group included in this Exchange Offer Memorandum does not give effect to any other events than those described in such pro forma financial information, and the notes thereto, nor does it reflect forward-looking data, as it was prepared to represent only the isolatable and objectively measurable effects of the Transactions, without taking account of the potential effects of changes in management policy and operating decisions resulting from the Transactions. Considering that the purposes of the pro forma financial information included in this Exchange Offer Memorandum are different than those of the historical consolidated financial statements, the two sets of data should be read and interpreted separately, without trying to connect them from an accounting perspective.

For more information, see "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Liquidity and Capital Resources*."

Risks Related to NetCo

Risks Related to NetCo's Business Activity and Industry

NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business.

NetCo operates in the fixed telecommunications industry in Italy and, therefore, its operations are subject to extensive, costly and evolving European and Italian regulatory regimes. Changes in such laws and regulations, or failure by NetCo to comply with such laws and regulations, could materially and adversely affect NetCo's business, financial condition, results of the operations, reputation and prospects.

On top of environmental, building, zoning, seismic and fire prevention regulations, generally applicable to the infrastructure operations of NetCo, NetCo is subject to the specific regulatory framework for electronic communication services established by the EU Parliament and Council, as implemented in Italy.

Pursuant to the EU regulatory framework, the Italian regulator, the AGCOM, is required to identify operators with SMP in the relevant markets subject to regulation. On the basis of Market Analyses, AGCOM imposes requirements necessary to address identified competition problems.

Within this regulatory framework, the main risks NetCo faces include the lack of predictability concerning both the timing of the regulatory proceedings and their final outcome and possible AGCOM decisions that apply retroactively and their potential impact on NetCo's business, results of operations, financial condition and on the guidance presented to the market (e.g., definition of wholesale prices).

New Market Analyses shall be periodically conducted by AGCOM in order to (i) deal with the evolution of market conditions and technology developments and (ii) set the rules for a subsequent period of up to five years (potentially extended to up to six years upon a AGCOM's specific application process to the European Commission).

In addition, a specific Market Analysis shall be conducted each time a vertically integrated operator with SMP notifies a detailed delayering project pursuant to Article 89 of Italian Legislative Decree No. 259 of 2003 (*separazione volontaria da parte di un'impresa verticalmente integrata*), such as the one envisaged as part of the Transactions. On June 21, 2023, AGCOM called a public consultation concerning a scheme for a new Market Analysis aimed at regulating the period 2024-2028. A final draft was approved by AGCOM at the end of January 2024 and submitted to the AGCM for its opinion. Following the receipt of AGCM's opinion, the draft has been notified to the European Commission and made public. The final text of the Market Analysis is expected to be published in the first half of May 2024, following the receipt of the European Commission's comments. Although NetCo may contribute to public consultations promoted by AGCOM to update the regulatory framework applicable to its operations, there can be no assurance that AGCOM will take into account NetCo's comments and proposals, thus setting forth a regulatory framework applicable to its business which is not in line with NetCo's expectations.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a detailed delayering project. As TIM is an operator with SMP, the notification will trigger a new Market Analysis. Depending on the results of the Market Analysis, NetCo may be officially recognized by AGCOM as a "wholesale-only" operator within the meaning of Article 91 of Legislative Decree No. 259 of 2003.

While it is expected that NetCo will be recognized as a "wholesale-only" operator, it is currently uncertain whether, when and to what extent AGCOM may grant such recognition. Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest. Regulatory uncertainty and regulatory changes imposed on NetCo may impact its expected revenue and make it more difficult to make important investment decisions. See "*NetCo Regulation*" and "*—Risks Related to NetCo's Legislative and Legal Framework*" for further details.

Moreover, a high level of disputes arising from operators challenging AGCOM decisions before administrative courts results in an even greater degree of uncertainty with respect to rules and economic requirements.

AGCM and AGCOM, may also intervene in NetCo's business, setting fines and/or imposing changes in its service provision operating processes and in its offers.

Due to the continuous evolution of the regulatory regime affecting various parts of its business, NetCo is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which it operates. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. See “*NetCo Industry Overview*” and “—*NetCo is subject to market competition.*” Changes in laws, regulation or government policy could adversely affect NetCo’s business and competitiveness. In particular, NetCo’s ability to compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which NetCo is subject (or to which NetCo may become subject as a result of the upcoming Market Analyses mentioned above) and/or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment, revocation or renewal of NetCo’s authorizations and/or public concessions, or those of third parties, could adversely affect NetCo’s future operations.

NetCo is required to provide telecommunication service providers with access to its network infrastructure and capacity at regulated terms and conditions.

Italian laws and regulations require telecommunication infrastructure operators to give access to their telecommunication infrastructure to telecommunication service providers.

While NetCo endeavors to offer wholesale services on market terms where possible, and indeed it is to NetCo’s advantage to maximize usage of its network, its core business includes tariff-regulated services in the wholesale market, which are expected to account for a sizeable share of NetCo’s revenues. The terms of these wholesale agreements, particularly pricing, could be subject to lighter regulation or regulatory interventions in the form of the so called “fair and reasonable” prices, subject to NetCo’s recognition as a “wholesale-only” operator, which recognition may only occur several months after the Acquisition Closing Date. As a result of current or future regulatory constraints, NetCo may not be permitted to charge telecommunication service providers who lease its network infrastructure the fees that NetCo would consider, from time to time, as adequately profitable. Should the relevant regulatory body set unfavorable conditions for any of these services, this could materially and adversely impact NetCo’s business, financial condition and results of operation. See “—*NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment could adversely affect its business,*” “—*NetCo’s recognition as a “wholesale-only” operator and its related regulatory benefits will be subject to AGOM’s assessment*” and “*NetCo Regulation.*”

To the extent cost-orientation obligations based on the BU-LRIC⁺ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo’s activities, NetCo’s business, results of operations and financial condition may be adversely affected.

Although NetCo expects that, as a result of the AGCOM’s assessment in the context of the Market Analysis which will take into consideration the effects of the Transactions, NetCo’s regulated activities will be relieved from the cost-oriented approach based on the BU-LRIC⁺ model, it is currently uncertain whether, when and to what extent AGCOM may grant such relief. The BU-LRIC⁺ model is implemented by AGCOM, which determines service pricing by considering, among other things, network and equipment costs, projected sales volumes, maintenance, commercial costs and the impact of the cost of capital and inflation.

Even if NetCo will only be subject to fair and reasonable pricing, AGCOM may use BU-LRIC⁺ as a benchmark in the context of Market Analyses that are generally expected to occur every five years. See “—*NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business.*” Since this is a forecast cost model, the application of the BU-LRIC⁺ model could generate negative or positive effects for NetCo as a result of any discrepancies between the forecasts of the model made by AGCOM and the actual statistics that will be accounted for by NetCo regarding, among others, inflationary dynamics, demand volumes and costs. If the BU-LRIC⁺ model is applied to certain of NetCo’s tariffs and any such discrepancies occur, NetCo could be unable to or find it difficult to pass through its costs, which could have a material adverse effect on its business, results of operations and profitability. See “—*NetCo is subject to market competition.*”

Following the successful completion of the Transactions, the TIM Group will become a key customer of NetCo and as such any material deterioration of the TIM Group's business could negatively affect NetCo's business, financial condition and results of operations.

In connection with the Transactions, the TIM Group will divest its ownership interest in NetCo. For further information, see “*Summary—The Transactions.*” This divestment will transition the relationship between NetCo and the TIM Group into a new phase of commercial engagement. Pursuant to the Transaction Agreement, on the Acquisition Closing Date, the two parties will enter into the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to “*Summary—The Transactions—Master Services Agreement.*”

Pursuant to the Master Services Agreement, NetCo will, among other things, provide certain services to the TIM Group and the TIM Group will provide certain services to NetCo. The Master Services Agreement is established for an initial term of 15 years, with a renewal mechanism, under terms to be negotiated, for an additional term. In the event of a decline in the TIM Group's subscribers or if any other factors described in the “*Risk Factors—Risk Factors Related to NetCo*” section necessitate a renegotiation of the Master Services Agreement, NetCo could face challenges in making such adjustments due to the long-term nature of the agreement. As a result, NetCo would remain obligated to fulfil the terms of the Master Services Agreement, limiting its ability to mitigate revenue losses. In addition, during the duration of the Master Services Agreement, there can be no assurance that disputes will not arise between NetCo and the TIM Group. In the event of a dispute, any actions NetCo or the TIM Group could take, including the application of contractual penalties, to resolve the dispute could result in additional costs or lower revenues for NetCo. If the TIM Group were to withhold payments for NetCo's services, NetCo's cash flow and financial position could be materially adversely affected.

Furthermore, any prolonged disruption to the relationship between NetCo and the TIM Group could have a material adverse effect on NetCo's reputation among its other major customers, which could raise concerns about the dependability of NetCo's services, potentially compromising long-term customer relationships. For example, such shift in perception might cause other NetCo's customers to question NetCo's services reliability, leading to a domino effect where more customers might decide (i) against renewing their agreements and/or (ii) to switch to alternate providers, where available, or alternative technologies operators providing for a similar level of service. See also “*NetCo is subject to market competition.*”

As part of the Acquisition, TIM and NetCo will enter into the Master Services Agreement on the Acquisition Closing Date. A draft of the Master Services Agreement has been attached to the Transaction Agreement. However, it cannot be ruled out that changes to the language or content of such draft could be made if, in the context of the discussions with the relevant authorities, supplementary or amending provisions would be instrumental to evidence of the Master Services Agreement's compliance with applicable laws. To the extent that the consequence of any such changes shall have not been already addressed in the draft of the Master Services Agreement, these supplementary or amending provisions could affect the future business of the TIM Group, Purchase Price and the pro forma financial information included in this Exchange Offer Memorandum, which have been calculated based on certain assumptions, including the economic conditions currently anticipated under the Master Services Agreement.

Should any of the above risks materialize, this could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects.

NetCo is subject to market competition.

Telecommunications operators, such as NetCo, are navigating a landscape marked by significant technological changes and challenging market conditions. As such, although not necessarily with the same degree of geographic penetration or range of service offered, NetCo faces direct competition from alternative network operators (“*AltNets*”), and may face indirect competition from other substitute technologies, such as high-speed wireless, FWA and LEOS broadband services.

In the Italian fiber fixed-line market, Open Fiber is the only AltNet and it has undertaken development plans for ultrabroadband networks in major Italian cities (i.e. Black Areas) and previously underserved “market failure” zones (i.e. White Areas). NetCo's competitive dynamics differ across these coverage areas. In Black Areas, NetCo risks infrastructure overlap with Open Fiber's FTTH network, which can intensify competition when OLOs opt to use Open

Fiber's connections, potentially resulting in customer and revenue losses for NetCo. In White and Grey Areas, state intervention drives fiber infrastructure build-out, assigning distinct regions to either NetCo or Open Fiber to invest and serve as main FTTH network provider. In regions within White and Grey Areas where Open Fiber is the main FTTH network provider, given that NetCo only provides ADSL and FTTC solutions, it could experience revenue losses as a result of Open Fiber's fiber take-up and a corresponding lower FTTH conversion rate. Such scenarios could have a material adverse effect on NetCo's business, results of operations and financial condition.

Moreover, NetCo may face indirect competition from broadband products delivered using wireless technologies, in particular fifth-generation, or 5G, broadband mobile networks. Even though 5G broadband networks have not yet been thoroughly implemented in Italy, they are potentially capable of high headline speeds that may become comparable to certain current speeds available on NetCo's network, depending on certain factors, including network configuration, proximity to a mobile base station, traffic volume and the hardware and software employed at the provider and user ends. See "*NetCo Industry Overview*" for further information. If mobile network providers are able in certain areas to offer a 5G broadband service with latency and bandwidth comparable to NetCo's services, NetCo may experience losses as telecommunications operators and consumers' demand could shift towards such alternative technology. Furthermore, NetCo may encounter competition from emerging or currently unforeseen substitute technologies, including FWA and those in the early stages of development, such as LEOS technologies. While the speeds offered by FWA and LEOS technologies are currently lower than those typically provided by terrestrial networks, technological advancements could enhance these speeds, potentially impacting NetCo's competitive position in the market.

Despite NetCo's strategic initiatives to enhance efficiency and introduce innovative services, the competitive pressures and the technological advancements within the industry could have a material adverse effect on NetCo's business, financial condition and results of operations. In particular, the Italian telecommunications market's competition for fiber-based networks, may reduce NetCo's FTTH-related market share and put further pressure on its tariffs for ultrabroadband services.

NetCo's business is capital intensive and there can be no assurance that NetCo will have sufficient liquidity and/or the ability to access financing to fund its capital expenditures for future expansions and/or generate expected returns.

Broadband and ultrabroadband services are undergoing rapid and significant technological changes and a dramatic increase in usage, in particular, the demand for faster and seamless usage of data, including video, across mobile and fixed devices. The COVID-19 pandemic accelerated these trends and also resulted in higher network utilization, as more customers consume bandwidth from changes in "work from home" trends. NetCo must continually invest in its fixed-line infrastructure in order to improve its broadband and ultrabroadband services to meet this increasing demand and changes in its customers and end-consumers expectations, while remaining competitive. Improvements in these services depend on many factors, including continued access to government support initiatives (which includes funds available under the NRRP) and strategic deployment of capital needed to expand its network. After giving pro forma effect to the Transactions, NetCo's growth capital expenditures represented 82% and 79% of its capital expenditures for the year ended December 31, 2023 and 2022, respectively. NetCo's business model is capital intensive, necessitating significant capital expenditure to develop, maintain, repair, upgrade, protect and replace its existing network. In addition, to remain competitive and meet evolving customer needs, NetCo is required to expand, modernize and update its fixed-line infrastructure, including activities such as unbundling, construction, and co-financing of fiber-based network deployment. A careful approach to capital expenditure is essential for NetCo to maintain its status as a prominent fixed-line telecommunications operator and to fulfil its significant growth initiatives, including its fiber roll out plan. As of December 31, 2023, NetCo had completed a relevant portion of its roll out plan.

In order to finish its roll out plan, NetCo expects this to require a substantial amount of capital expenditures particularly in the first years following the successful completion of the Transactions. See "*Business of NetCo—Business Areas—Access Services*." NetCo's strategic execution will necessitate substantial cash flow to support the planned capital investment. In addition, additional capital resources could be required if cash flows from its existing fixed-line services prove unable to support the planned capital investment. Moreover, macroeconomic conditions, such as geopolitical instability and inflationary pressures, could influence the timing and terms of debt financing, potentially leading to higher costs, or limited availability or less attractive terms. Should NetCo experience any deficiencies in generating the required cash flow or accessing the financial markets on reasonable terms, if at all, this could have a material adverse effect on its business, results of operations and financial condition.

Moreover, the execution of NetCo's roll out plan (i.e. the amount and timing of NetCo's future capital requirements) may differ materially from its current estimates due to various factors beyond its control, including, but not limited to:

- increases in operating costs;
- labor disputes and disputes with contractors and sub-contractors;
- inadequate engineering, project management, capacity or infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- inflationary pressures;
- adverse weather conditions and natural disasters;
- changes in law, rules, regulations, governmental priorities and regulatory regimes;
- political, social and economic conditions; and
- physical and/or cyber threats.

As a result, NetCo could be required to raise additional debt financing in amounts that could be substantial. The type, timing and terms of any future source of debt financing will depend on its cash needs and the prevailing conditions in the financial markets. See also *"Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance"* and *"—NetCo has no history of operating as an independent company."* In addition, NetCo may not be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. NetCo may not be able to generate sufficient cash flows in the future to meet its capital expenditure needs, sustain its operations or projected returns, which may have a material adverse effect on its business, financial condition and results of operations. See *"Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo."*

NetCo's costs of developing, maintaining, repairing, upgrading, protecting and replacing its existing fixed-line network are high and could become higher than expected.

NetCo must continue to develop, maintain, repair, improve, upgrade and replace its existing fixed-line network in a timely and satisfactory manner to retain and expand its offering in each of its coverage areas. A reliable and high-quality network is necessary to sustain its customer base, maintain strong customer relationships and a good reputation and satisfy regulatory requirements, including minimum service requirements. The continuous development, maintenance, repair, enhancement, protection, and renewal of NetCo's network are critical activities that require dedicated management's time and capital investment. These activities are also sensitive, among other things, to changes in commodity prices and hinge on NetCo's ability to:

- ensure ongoing maintenance, timely repairs and upgrades to maintain the functionality of its fixed-line network, enabling the provision of increasingly tailored services to customers;
- enhance network coverage, particularly in areas where NetCo faces competition and needs to strengthen its market presence;
- improve and streamline network management and administrative systems to support efficient operations;
- invest in the development and expansion of network capacity to meet the growing demand for bandwidth; and
- modernize and upgrade outdated systems and network segments throughout Italy, transitioning from legacy copper networks to advanced fiber-based infrastructure to meet current and future connectivity needs.

Many of these factors are not entirely under NetCo's control and may be affected by, among other things, applicable laws and regulation. If NetCo fails to develop, maintain, repair, improve, upgrade and replace its existing fixed-line network, its services may be less attractive to its customers, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, to support these operational needs, NetCo must incur substantial maintenance capital expenditures. For the year ended December 31, 2023, these maintenance capital expenditures represented a significant portion of NetCo's revenue and are expected to continue to similarly affect NetCo's revenue particularly in the first years following the successful completion of the Transactions, underscoring the ongoing substantial investment required to maintain and enhance the network. See "*Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*." In addition, due to rapid changes in the telecommunications industry, NetCo's network investments may prove to be inadequate or may be superseded by new technological changes. See "*—NetCo is subject to market competition*." As a result, NetCo may encounter situations that necessitate additional capital expenditure to address such events and satisfy customer demand. NetCo may not be able to generate sufficient operating cash flows and external financing sources may not be available in an amount sufficient to enable it to meet such additional capital expenditures on schedule or at all. Inability to execute timely and sufficient capital expenditures or investments, or to allocate funds effectively, could compromise the reliability and performance of NetCo's network. This could in turn have a material adverse impact on NetCo's business, financial condition, results of operations and prospects.

NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives.

One of NetCo's goals is to accelerate the roll out of a new telecommunications network capable of providing its customers with ultrabroadband connections, also in part thanks to the use of government subsidies and funds, such as those linked to the NRRP in the regions where NetCo won tenders.

However, the implementation of ultrabroadband technologies is dependent on a number of factors, including:

- NetCo's ability to secure government subsidies and funds;
- Growing competition for NetCo, especially in the Black Areas where Open Fiber operates;
- NetCo's ability to provide superior ultrabroadband services to its customers relative to Open Fiber;
- NetCo's delayed receipt of the necessary permissions and authorizations for installation of lines (including any required permits in relation to environmental, urbanistic, building, expropriation, zoning and fire prevention matters) and NetCo's ability to ensure continued compliance with the requirements set forth by such permits;
- resistance by road administrators to the use of innovative techniques for excavation and the laying of fiber optic cables;
- delay in supply of material and devices due to possible supply chain shocks;
- potential network interruptions or related capacity problems with network infrastructure;
- NetCo's ability to obtain adequate returns from the investments related to its network development;
- increase in transport, raw materials and labor costs of network companies due to inflationary pressures and increase in energy costs (see "*—Risks related to Macroeconomic Conditions Affecting NetCo*"); or
- delay by SINFI (*Sistema Informativo Nazionale Federato delle Infrastrutture*) in the verification and control activities required for coordination and transparency under the new Italian broadband and ultrabroadband strategy (among other functions, SINFI promotes the sharing of infrastructure through an orderly management of underground and above ground infrastructure and the related maintenance, and also offers a single dashboard that efficiently manages and monitors maintenance).

If NetCo fails to achieve its objectives for the implementation of ultrabroadband coverage promptly, or at all, this may materially and adversely impact its business, results of operations and financial condition.

Furthermore, any delays in completing in NRRP tenders' roll outs are subject to predetermined penalties, which can be significant and have a material adverse effect on the financial outcomes of the projects. These penalties encompass fixed charges per each unconnected street address and increase with the length of the delay, potentially leading to the overall revocation of the awarded grants.

The assumptions used in estimating cost-savings associated with NetCo's fiber roll out and/or NetCo's fiber take-up objectives are forward-looking in nature.

Certain forward-looking cost-savings initiatives associated with NetCo's planned fiber roll out and certain forward-looking fiber take-up objectives and FTTH conversion rates that NetCo expects to realize are presented in the Exchange Offer Memorandum. The assumptions used in estimating cost-savings, including the components of such estimates, and the steps to be taken to realize such cost-savings, as well as and the assumptions used in estimating the timing and degree of fiber take-up NetCo plans to achieve in the short- to medium-term are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. It cannot be guaranteed that the information on which such estimates and assumptions are based on will not change or that NetCo will be able to realize the cost-savings or benefits that NetCo deems possible based on these estimates and assumptions. See "Summary—NetCo's Key Strengths" and "Summary—NetCo's Strategy."

NetCo's recognition as a "wholesale-only" operator and its related regulatory benefits will be subject to AGOM's assessment.

NetCo expects that the successful completion of the Transactions will result in NetCo being recognized as a "wholesale-only" operator. However, there can be no assurance that said designation will apply to NetCo after such Transactions, as such decision will ultimately depend on the assessment of AGCOM. See "—Risks Related to NetCo's Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment could adversely affect its business," "NetCo Regulation."

Any deterioration of the financial condition of NetCo's key customers could adversely affect its results of operations.

NetCo depends on a limited number of telecommunication operators, including the TIM Group, which contribute a significant share of its revenue. In the event one of NetCo's key customers (i) reduces its demand for NetCo's services, mainly due to (x) changes in NetCo's regulatory framework (e.g., unfavorable pricing models and contractual terms being introduced by regulators), (y) customers' latency and bandwidth needs and/or (z) competing technology advancements (e.g., 5G, LEOS and FWA connectivities), (ii) experiences a major disruption in its business, such as a strike, work stoppage or slowdown or a supply chain problem (iii) files for bankruptcy protection, NetCo's business, financial condition and results of operations could be materially adversely affected. In addition, any consolidation in NetCo's customer base could result in pricing pressure, which in turn could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects. See "NetCo Regulation."

NetCo has no history of operating as an independent company.

Upon the successful consummation of the Transactions, NetCo is expected to become the first national independent open-source fixed-line network provider not vertically integrated in a major European country, offering wholesale broadband and ultrabroadband services to telecommunications operators. However, NetCo has not previously operated as an independent company.

As NetCo transitions to full independence in its operations, supported by the Transitional Services Agreement with the TIM Group, the predictability of its future performance remains uncertain. In particular, NetCo's business will require the ongoing availability and uninterrupted operation of internal and external systems and services. As part of its transition to an independent and fully operational company, NetCo will receive certain services from the TIM Group under the Transitional Services Agreement, which will include, among other things, services related to IT hybrid systems and cyber-security. Any disruption in the operation of these facilities or platforms or access to the Internet would adversely affect the NetCo's business, financial condition and results of operations. For further

information, see “—Achieving a fully operational regime may be complex, could cause NetCo to incur unexpected costs. There can be no assurance that NetCo will be able to deliver all of the expected benefits underlying the Transactions” and “Summary—The Transactions—Transitional Services Agreement.” In particular, following the Transactions, EBLco and other shareholders will appoint new directors to the board of directors of the NetCo group of companies. The board of directors of Optics HoldCo will be in charge of, among other things, appointing the senior management of the NetCo group in consultation with EBLco and other shareholders. The NetCo Group could also encounter challenges in recruiting the necessary executive talent. See “—Failure to recruit, retain and engage skilled employees may materially and adversely impact NetCo’s business, financial condition, results of operations and/or prospects.” The expertise and understanding of NetCo’s business, regulatory constraints and market dynamics by such directors and senior executives cannot be assured.

Furthermore, the estimated costs and timelines for achieving full independence in its operations are subject to risks and uncertainties, including those associated with NetCo establishing itself as a fully independent wholesale telecommunications operator. There can be no assurance that NetCo’s estimates regarding the costs and time required for such transition will be accurate. See “—Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group.” The transition process is complex and may encounter delays, budget overruns and other unknown or unforeseen factors. NetCo’s ability to develop the necessary operational and administrative capabilities to function independently or expand its business cannot be guaranteed.

In addition, the considerable majority of NetCo’s revenue is expected to be subject to regulatory constraints. See “NetCo Regulation” and “—To the extent cost-orientation obligations based on the BU-LRIC⁺ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo’s activities, NetCo’s business, results of operations and financial condition may be adversely affected.” These changes could have a material adverse effect on NetCo’s ability to finance its capital expenditures as well as manage its debt obligations effectively.

Prospective investors of the Optics Notes should carefully consider NetCo’s business and prospects in light of the risks and challenges NetCo faces as a company with no independent operational history, low diversification and subject to certain regulatory constraints. Key considerations include NetCo’s ability to:

- retain its customer base, especially in competitive market segments;
- accurately price services not governed by regulated pricing models;
- successfully service its customers;
- maintain and improve its operational efficiency;
- successfully operate and improve its technology platform while maintaining a reliable, secure, high-performance, and scalable network infrastructure;
- carefully and appropriately budget expenses;
- attract and retain qualified personnel, including NetCo’s senior management;
- anticipate trends that may emerge and affect its business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- obtain, maintain, and renew necessary licenses and authorizations in a timely and cost-effective manner;
- secure government subsidies promptly; and
- navigate a dynamic and intricate regulatory environment.

Failure to successfully address these risks and challenges could materially and adversely affect NetCo's business, results of operations, financial condition and prospects.

Achieving a fully operational regime may be complex, could cause NetCo to incur unexpected costs. There can be no assurance that NetCo will be able to deliver all of the expected benefits underlying the Transactions.

In connection with the Transactions, on the Acquisition Closing Date, NetCo will enter into a Transitional Services Agreement with the TIM Group pursuant to which, among other things, the TIM Group will agree to provide or procure certain transitional services to NetCo for a certain period of time with the aim of facilitating the transition to separate operations. These services include, *inter alia*, certain information technology, such as the provision of the TIM Group's IT hybrid systems and cyber-security services. For further information regarding the Transitional Services Agreement, please see "*Summary—The Transactions—Transitional Services Agreement*." As a result, during the term of the Transitional Services Agreement, NetCo could be subject to, among other things (i) certain one-time costs and other duplicative expenses associated to transitional activities, (ii) unexpected additional costs or adverse impacts on its business functions as a result of the separation process or performance of NetCo's obligations under such Transitional Services Agreement and/or (iii) potential liabilities if it fails to deliver certain obligations to the TIM Group or does not receive the necessary services from the TIM Group, each of which could adversely affect its business, results of operations and financial condition.

Moreover, there can be no assurance that NetCo will successfully complete the transition to a fully operational company within NetCo's estimated timeline. In such event, failure to renew or replace such arrangements on a comparable basis could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects. See also "*—NetCo has no history of operating as an independent company.*"

NetCo relies on certain suppliers to provide services to its direct customers and to support its operations. Any delay or failure by such suppliers to provide their services or products, any increase in the prices they charge NetCo or any decision not to renew their contracts with NetCo could cause delay or interruptions in its operations, which could damage its reputation and result in the loss of revenue and/or customers.

NetCo has key relationships with limited hardware, software and services suppliers essential for delivering its services. It also depends on limited number of leading international telecommunications equipment manufacturers for equipment and services necessary to maintain and expand its fixed-line network infrastructure.

The successful maintenance, expansion and functioning of NetCo's network are contingent upon timely access to core and transmission telecommunications equipment (*e.g.*, network terminals and base stations), network materials (including fiber optics and copper), switching equipment, radio access network solutions and other essential services and products. Most of this equipment cannot be sourced locally.

NetCo's operations could be significantly affected by disruptions in the business or supply chains of its key suppliers due to various factors, including, among other things, major geopolitical events, changes in laws or regulations, the imposition of restrictions to manage health crises such as the COVID-19 pandemic, ongoing military conflicts such as the Russia-Ukraine conflict, trade disputes, and direct or indirect export and re-export restrictions. In addition, NetCo aims to engage a number of independent contractors to outsource certain operations aimed at developing and upgrading its network and the services provided to its customers. Although NetCo works with a carefully selected and closely monitored limited number of independent contractors, it cannot ensure that their tasks will always be executed properly, timely and in full compliance with NetCo's stringent quality and safety standards, or that these tasks will not be further delegated to subcontractors.

Should products or services from suppliers or independent contractors prove defective, or if they fail to perform their tasks adequately, enforcing recourse claims against them may be challenging, particularly if they are insolvent, either wholly or partially. Such scenarios could have a material NetCo's business, financial condition and results of operations.

Moreover, NetCo might find difficulties in find replacements for its suppliers or independent contractors if they fail to provide the equipment or services that NetCo deems necessary. Any delays or difficulties in obtaining adequate supplies or services on favorable terms could lead to increased costs or impede NetCo's ability to maintain and expand

its network, which could materially and adversely affect its business, financial condition, results of operations and prospects.

There can be no assurance that NetCo will be able to obtain products and services critical to deliver high quality broadband and ultrabroadband services to its customers, in a timely manner, on competitive terms and in adequate amounts, or at all. The occurrence of any of these risks may create technical problems, damage its reputation, result in the loss of customers, each of which could have a material adverse effect on its business, financial condition and results of operations.

NetCo's business may be affected by unpredictable instant surges in traffic.

NetCo's fixed-line network performance may be significantly impacted by sudden and substantial surges in traffic, such as those caused by live video events broadcasted by OTT or CSPs over the IP network. Such unexpected increases in traffic may lead to network congestion, resulting in slowdowns or temporary disruptions in communication. These performance issues have the potential to harm NetCo's reputation and customer satisfaction. In Black Areas, where NetCo primarily faces competition, these service disruptions could result in end-consumer churn, which in turn could potentially affect NetCo's business operations and financial results. See "*—NetCo is subject to market competition.*"

System and network failures could result in reduced traffic and reduced revenue and could harm NetCo's reputation.

NetCo's future success largely depends on the continued and uninterrupted performance of its IT, fixed-line network infrastructure and of certain hardware that it manages for its customers. In particular, NetCo's operations require uninterrupted, accurate, permanently available, real-time and safe transmission of data through its fixed-line network.

NetCo's technical infrastructure (including its network infrastructure for fixed telecommunications services) and the assets managed on behalf of its customers, are vulnerable to damage or interruption from technology failures, power loss, floods, heatwaves, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at NetCo's facilities, system failures, hardware and software failures, computer viruses and cyber-attacks (including information theft, data corruption, operational disruption or financial loss associated with the foregoing) and data leakage, as well as terrorist attacks against its infrastructure could affect the quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect NetCo's levels of customer satisfaction, reduce its customer base and harm its reputation.

NetCo has implemented processes of vulnerability analysis, development of technical protection solutions, optimization of capital allocation on technical investments and partial financial transfer of risk to the insurance market in order to seek to address the risks described above but there can be no assurance such measures will be sufficient.

NetCo's business is subject to cybersecurity risks.

NetCo's fixed-line network and equipment are vulnerable to a range of cybersecurity threats.

Despite efforts to modernize its fixed-line network and replace outdated systems, NetCo's networks and systems are vulnerable to security threats, including cyber-attacks from internal and external sources. The cyber security attacks may be committed by third parties operating in any region, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. These attacks can disrupt service availability and compromise data, posing a significant risk to NetCo's reputation as a prominent provider of critical fixed-line network infrastructure. NetCo works to prevent and limit the impact of cyber-attacks, but an absolute protection cannot be guaranteed and NetCo or its third-party providers and other contractors cannot assure that cyber-attacks may materialize in the future.

To address these risks, NetCo must continue to identify and address technical vulnerabilities and weaknesses in its processes and enhance its ability to detect and respond to incidents. This includes strengthening security in the supply chain and ensuring the security of its IT systems.

Furthermore, in order to partially mitigate any economic-financial impact deriving from cyber-attacks, NetCo has structured a specific financial risk transfer policy through dedicated insurance coverage. In addition, further

obligations may be imposed on NetCo in case NetCo is included within the National Cyber Security Perimeter – NCSP following the successful completion of the Transactions.

The inability to operate NetCo’s fixed-line network and systems as a result of cyber-attacks, even for a limited period of time, may result in significant expenses, reduced customer satisfaction and potential loss of revenue. The costs associated with a major cyber-attack could include expensive incentives offered to existing customers to retain their business, increased expenditures on cyber-security measures and the use of alternate resources, lost revenues from business interruption and litigation. A major security incident or business interruption, or non-compliance with applicable laws and regulations, could result in financial loss, reputational damage, negative ESG impact, market share loss and regulatory sanctions. Further, as cyber-attacks continue to evolve, NetCo may incur significant costs in the attempt to modify or enhance its protective measures or investigate or remediate any vulnerability. Any loss of confidential or proprietary data through a breach could have a material adverse effect on NetCo’s business, financial condition, results of operations and prospects. Pursuant to the applicable data protection regulations, if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure of NetCo’s information technology security systems and/or employee negligence, NetCo may be subject to legal claims by individuals, fines or other enforcement action. See “—*NetCo’s activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.*”

Future partnerships or joint ventures that NetCo may enter into may not bring the expected financial results and could harm its business.

NetCo may enter into relationships with other businesses in order to further expand its presence across business segments and coverage areas. Negotiating these transactions can be time-consuming, difficult and expensive, and NetCo’s ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond its control. Consequently, no assurance can be made that these transactions, once undertaken and/or announced, will eventually close. NetCo may invest substantial amounts in these joint ventures and it cannot be assured that they will produce the expected returns.

NetCo may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.

As part of NetCo’s business strategy, NetCo may evaluate and pursue strategic and opportunistic acquisitions and investments, any of which could be material to its financial condition or results of operations. It cannot be guaranteed that NetCo will be able to continue making such acquisitions and investments, and its ability to enter into these transactions may be limited by many factors, including availability of financing, complex ownership structures among potential targets, competition from other potential acquirers and government regulation. In addition, if the Purchase Price is paid in cash, this will reduce NetCo’s cash reserves. Further, NetCo’s debt burden may increase if it borrows funds to finance any future acquisition or investments, which could have a negative impact on its cash flows and its ability to finance its overall operations and make cash interest payments on its outstanding indebtedness, including the Optics Notes. Acquisitions and investments pose certain risks, for example, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, ESG performance integration, operational efficiencies and other benefit, diversion of managerial resources away from its day-to-day business operations and the assumption of unexpected liabilities and undisclosed risks. Even if NetCo may be successful in acquiring new businesses, the integration of such businesses may prove to be more difficult than it initially anticipated and could create unforeseen operating difficulties and expenditures. However, it cannot be assured that any benefits will materialize, or it may not suffer any losses in connection to the used funds and to the opportunity costs related to such transactions.

Additionally, NetCo may encounter liabilities during due diligence for future acquisitions or investments that were not disclosed or underestimated, such as unpaid debts, tax or pension liabilities, or legal and regulatory compliance issues. The due diligence process, reliant on available resources and information from sellers and third-party advisors, may not uncover all relevant facts, and there can be no assurance of the completeness or ongoing accuracy of the information provided.

Furthermore, certain of NetCo’s contracts contains “change of control” provisions that require the acquired or acquiring company to notify the counterparty of a potential change of control, or contain language that could be

interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. If a substantial number of these contracts are or will be terminated as a result of a potential acquisition or disposition, NetCo may be forced to enter into new contracts on less favorable terms, or it may be unable to secure replacements. While it strives to mitigate unexpected liabilities and risks through contractual protections in its acquisition and disposition documentation, it cannot be assured that such protections will be effective.

Any of these risks, individually or in the aggregate, could have a material adverse effect on NetCo business, financial condition and results of operations.

NetCo may encounter compliance issues and have liabilities that are not known to Optics or greater than anticipated.

NetCo may have liabilities or compliance issues with respect to applicable laws and regulations that were unknown to the TIM Group and Optics or that Optics failed or was unable to discover while performing its due diligence investigations in connection with the Transactions. In addition, Optics may underestimate the actual value of the liabilities that Optics discovered in connection with such due diligence activities. Therefore, such liabilities may be greater than Optics expected. See “*NetCo Regulation*” and “*Risk Factors—Risks Related to NetCo—Risks Related to NetCo’s Legislative and Legal Framework*.” Any such unknown or previously underestimated liabilities or any compliance issues, individually or in the aggregate, could have a material adverse effect on NetCo’s business, financial condition and results of operations. In addition, there can be no assurance that the due diligence exercise Optics has undertaken highlighted all relevant facts necessary or helpful in evaluating the Transactions.

NetCo is dependent on intellectual property rights, particularly patents and licenses, and inadequate protection of its intellectual property rights, or intellectual property rights litigation, could adversely affect its business.

NetCo depends on copyright, trademark, and patent laws to establish and safeguard its intellectual property rights, but cannot guarantee the effectiveness of its actions to prevent violations or ensure the protection of its intellectual property, particularly its patents. Litigation may be necessary to enforce its patent rights, which could be costly and ultimately unsuccessful, this may potentially impact on certain aspects NetCo’s business relying on the exclusive use of NetCo’s own intellectual property, if any, and could ultimately affect NetCo’s results of operations and financial condition.

Upon completion of the Transactions, NetCo will rely mainly on agreements with third parties, including vendors of network apparatus/systems and service vendors, to utilize its network, conduct operations and provide services. Intellectual property warranty, hold-harmless and indemnification clauses in the agreements with providers are meant to protect NetCo, to the extent possible, from intellectual property disputes with third parties. Notwithstanding the above, NetCo, operating in an industry prone to intellectual property disputes, may encounter aggressive litigation from other market participants or non-practicing entity intellectual property owners. Despite efforts to comply with intellectual property laws, ensure intellectual property warranty, hold-harmless and indemnification protection from third party providers and establish intellectual property compliance mechanisms, there is no guarantee against infringement of third-party intellectual property rights, particularly on any internally developed (or internally integrated) network or service solution used by NetCo or provided by NetCo to clients, as any such solution, being not entirely sourced from third parties, might be not fully covered by the provider’s intellectual property warranty, hold-harmless and indemnification protection. Such claims or lawsuits could be expensive to defend and divert technical and management resources.

The outcome of any litigation related to infringement claims against NetCo is uncertain. Successful claims could result in significant damages, cessation of certain services, or the need to obtain licenses, potentially affecting NetCo’s business, results of operations, financial condition and prospects.

Uninsured losses, losses in excess of insurance coverage for certain risks and unanticipated changes in NetCo’s insurance costs could have a material adverse effect on its business, financial condition, cash flows and/or results of operations.

NetCo maintains insurance coverage to protect against a broad range of risks, including, among others, property damage, data breaches, business interruptions, directors’ and officers’ liability, professional indemnity, third party liability, at levels it believes to be appropriate and consistent with current industry practice. However, such insurance

may not cover all risks associated with its business and is subject to limitations, including deductibles and limits. NetCo may incur losses beyond these maximum limits or outside the coverage of its insurance policies. If this occurs, and it incurs liability, it could have a material adverse effect on its business, financial condition and results of operations.

In addition, from time to time, various types of insurance for companies in NetCo's industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, NetCo may not be able to obtain coverage at current levels, and/or premiums and deductibles for certain insurance policies may increase significantly on the policy coverage that NetCo currently maintains. If some insurance coverages are not available at economically acceptable premiums, there is a risk that NetCo's could decide to reduce its level of coverage.

Furthermore, to discharge an uninsured large claim or prior to receiving significant reimbursement of insurance proceeds, NetCo may need to divert capital from other planned expenditures. Costs associated with unanticipated events in excess of its insurance coverage, or a failure to maintain such coverage could materially adversely affect its business, financial condition, cash flows and results of operations.

Failure to close the digital divide may harm NetCo's business.

The digital divide is a significant barrier to the expansion of digitization and related connectivity services, with risks arising from the mismatch between the supply of advanced products and services and the demand for traditional ones.

A crucial measure of the digital divide is the adoption rate of fiber connectivity, also known as “**take-up**.” Deploying fiber networks is capital-intensive, and insufficient consumer take-up presents significant risks for NetCo. In Italy, as of December 31, 2022, the fiber take-up rate was approximately 26.8% according to AGCOM, markedly lower than the corresponding rates recorded in other European countries. This disparity can impact NetCo's reputation, as it may be perceived as failing to facilitate Italy's technological advancement. Additionally, in the long term should NetCo experience low fiber take-up relative to Open Fiber or low FTTH conversion rates it could lead to substantial financial losses, with the potential for significant investments in infrastructure not yielding the expected returns. If NetCo's strategies either to bridge the digital divide or hedge the risk of not doing so by relying upon its existing ADSL and FTTC networks are not effective, NetCo could face reputational harm and revenue losses, adversely impacting its results of operations, financial condition and prospects.

Failure to meet stakeholders' Environmental, Social and Governance (“ESG”) expectations, as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.

NetCo's operations and value chain have negative environmental impacts, in particular in terms of GHG emissions and of e-waste. The majority of NetCo's GHG emissions are generated from its operations and maintenance activities, while e-waste is primarily associated with network components, such as copper-based products and network equipment.

NetCo is subject to certain requirements and expectations from its stakeholders to manage these negative impacts. There is a growing trend in regulatory and self-regulatory measures globally, focusing on improving energy efficiency in transitioning to fiber-based network infrastructure and CO₂ reduction. Compliance with such environmental standards may result in increased operational and financial costs for NetCo.

The worsening of climate change increases the likelihood and severity of extreme weather events such as droughts, floods, windstorms and heatwaves which may cause severe disruptions to telecommunications services, reduce the work efficiency (hours actually worked) and have a consequential impact on NetCo's business. More extreme weather may also drive the need for additional investments in cooling technology and other more resilient infrastructure; the risk that external environmental condition can pose for business continuity could increase the weighted average cost of capital (WACC). Failure to implement circular business models such as offering of services designed with eco-sustainable criteria or the use of sustainable materials may lead to lost opportunities for cost savings and a failure to realize additional revenue Furthermore, Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could also increase operational costs for NetCo.

Moreover, there is a global trend towards ESG-related financial disclosure. Several countries have established mandatory disclosure regimes and/or set timelines for the implementation of legislation regarding mandatory climate, social and governance related disclosure requirements. For example, the European Commission has established a number of sustainability-related reporting and compliance regimes, including the Non-Financial Reporting Directive and the Corporate Sustainability Reporting Directive, which will enhance the scope and reporting requirements under the Non-Financial Reporting Directive, as well as proposals for new regulatory regimes that are aimed at, for example, prohibiting corporates from placing or making available on the EU market or exporting from the EU market products made with forced labor; requiring companies to identify, prevent, bring to an end, mitigate and account for adverse human rights and environmental impacts in operations, subsidiaries and value chains; and enhancing gender pay reporting requirements. The Sustainability Reporting will have to be in accordance with the EU Sustainability Reporting Standards (ESRS), which will increase mandatory reporting requirements. The ESRS will require to disclose information aligned with the EU Taxonomy (2020/852/EU) as well as climate-related information in line with the recommendations of the TCFD. Potentially the lack of criteria aligned to the EU legislation on Taxonomy could have impacts also on the sources of financing.

Failure to meet regulatory and stakeholders' requirements or expectations about ESG topics may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints.

Failure to recruit, retain and engage skilled employees may materially and adversely impact NetCo's business, financial condition, results of operations and/or prospects.

NetCo's ability to attract, recruit, retain and train qualified, specialized and motivated personnel is essential for executing its business strategies effectively.

The demand and competition for high skilled employees in the telecommunications industry, such as electrical engineers, telecommunication engineers and talents in general is becoming increasingly challenging. To secure appropriate talent, NetCo needs to recruit, develop and retain highly skilled employees. Failure to recruit, develop and retain necessary skilled employees could lead to adverse consequences, such as reduced revenue and increased vulnerability to market downturns. Such outcomes could materially and adversely affect NetCo's business, financial condition, results of operations and/or prospects.

Following the successful completion of the Transactions, the interest of NetCo's controlling shareholder and/or minority shareholders may conflict with the interests of NetCo and the holders of the Optics Notes.

Optics is controlled by funds advised by KKR. Upon the successful completion of the Transactions, Optics will own more than 95.5% of NetCo.

Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. There can be no assurance that the interests of this minority shareholders will not conflict with those of NetCo and/or the holders of the Optics Notes.

As a result, KKR via its control of Optics will possess significant influence over most corporate decisions, including the selection and dismissal of a majority of directors, appointment of a certain number of statutory auditors, certain modifications to the NetCo's articles of associations and by-laws and other substantial transactions, including dividend distributions. Consequently, KKR's ability to direct these matters could lead to decisions that may not align with the interests of NetCo and/or the holders of the Optics Notes.

In addition, it is expected that an investment vehicle controlled by the Abu Dhabi Investment Authority, an investment vehicle controlled by the Canadian Pension Plan Investment Board, an investment vehicle controlled by Fondi Italiani per le Infrastrutture SGR S.p.A. and the MEF will invest for a stake of up to approximately 17.5%, 17.5%, 11% and 16% of Optics HoldCo, respectively, with the final stakes of their respective investments depending on the actual equity capital needed at completion of the Transactions. There can be no assurance that the interests of these minority shareholders will not conflict with those of NetCo and/or the holders of the Optics Notes.

KKR is in the business of making investments in companies and may acquire and hold interests in businesses that compete, directly or indirectly, with NetCo and/or that operate in its markets or adjacent ones. In addition, KKR may also pursue acquisition opportunities that are complementary to or in competition with NetCo's business and, as a result, those acquisition opportunities may not be available to NetCo. Furthermore, KKR may hold interests in suppliers or customers of NetCo. KKR and its affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of NetCo's business or sales of its shares which would result in changes to NetCo's shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to prospective investors of the Optics Notes.

There can be no assurance that shareholders deadlocks at Optics HoldCo will not affect the operations and business of NetCo and/or the holders of the Optics Notes.

Other than funds advised by KKR, it is expected that an investment vehicle controlled by the Abu Dhabi Investment Authority, an investment vehicle controlled by the Canadian Pension Plan Investment Board, an investment vehicle controlled by Fondi Italiani per le Infrastrutture SGR S.p.A. and the MEF will invest for a non-controlling stake of up to approximately 17.5%, 17.5%, 11% and 16% in Optics HoldCo, respectively with the final stakes of their respective investments depending on the actual equity capital needed at completion of the Transactions. Consequently, Optics HoldCo faces the risk of its shareholders being unable to agree on critical decisions, which could materially affect its decision-making processes and lead to deadlocks that can further potentially impact the interests of Optics and, following the Push-Down Merger, of NetCo, and as such of the holders of the Optics Notes.

Under Optics HoldCo's shareholders agreement, in the event of a deadlock, which is defined as a matter for which votes in favor and against are equal in number, the shareholders agree to cooperate in good faith to attempt to resolve such deadlock within a designated period. If the deadlock remains unresolved upon expiry of such period, the relevant matter is deemed not approved.

In the event of a deadlock, Optics HoldCo's ability to make timely and effective decisions could be impaired, and potentially affect critical decision-making processes at its direct subsidiary, NetCo. This, in turn, could negatively impact NetCo's operations and financial performance. Moreover, shareholder deadlocks may necessitate additional financial and managerial resources to resolve disputes, including potential litigation or arbitration costs. The effort to break deadlocks could also result in the alteration of governance structure or changes in the Optics HoldCo's shareholder base, which may result in incremental negative outcomes for NetCo's business and/or the holders of the Optics Notes. Accordingly, there can be no assurance that such deadlocks will not occur or, if they do occur, that they will not have a material adverse effect on Optics HoldCo, NetCo or the holders of the Optics Notes.

Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group.

Certain information presented in this Exchange Offer Memorandum, particularly those related to NetCo's business structure, financial projections and strategic plans, the financial arrangements of Optics in connection with the Transactions as well as the impacts of the Transactions on Optics have been supplied by Optics. See "Forward-looking Statements." While TIM's management considers this information and any associated estimates to be reliable, neither the TIM Group nor its advisors or consultants have independently verified their accuracy or completeness, nor have they ascertained the underlying assumptions relied upon therein. This information and estimates involve risks and uncertainties and are subject to change based on various factors, including those described under "Risk Factors—Risks Related to NetCo." Accordingly, no assurance can be provided regarding the feasibility of NetCo's business structure and business plans or the accuracy of future performance projections. Prospective investors of the Optics Notes should carefully consider the risks associated with relying on such information when making investment decisions.

Risks Related to Macroeconomic Conditions Affecting NetCo

Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition.

NetCo's operations are influenced by global geopolitical events, including the ongoing Russia-Ukraine conflict and recent military tensions between Hamas and Israel. These situations have indirect yet tangible effects on NetCo's business, primarily through increased costs in energy, raw materials, and transportation.

At the moment the impact of the geopolitical situation on NetCo's business is of an indirect nature, primarily associated with the increase in costs of energy, materials and transportation. This geopolitical situation has contributed to a general rise in energy prices and there can be no assurance that a potential shift in the strategic outlook of the war does not materialize, which could further adversely impact energy prices. See “—*Increasing energy costs and NetCo's inability to effectively implement pass-through mechanisms may adversely affect its results of operations.*”

The recent outbreak of an armed conflict between Hamas and Israel in early October 2023 and the direct involvement of Iran in hostilities in April 2024 presents a risk of regional escalation in the Middle East. Although NetCo does not engage in operations within Middle Eastern countries, the duration, ramifications and outcome of this conflict are highly uncertain. Potential short- or long-term consequences may include economic sanctions, economic and political instability, rising inflation and energy costs, supply chain disruptions and negative impacts on currency exchange rates and financial markets.

More generally, escalating geopolitical tensions, either in Europe or worldwide, could affect NetCo's operations, including the safety and security of its employees and the integrity of its network operations. These events, individually or in the aggregate, could materially and adversely affect NetCo's business, financial condition, results of operations and prospects.

Adverse changes in global financial markets could limit NetCo's ability to access capital or increase the cost of capital needed to fund its operations.

During 2021, 2022 and 2023, uncertainty surrounding global growth rates, inflationary pressures, the Russian-Ukraine armed conflict as well as the potential risk of regional escalation in the Middle East following the armed conflict between Hamas and Israel, continued to produce volatility in the credit, currency and financial markets. Volatility may affect companies' access to the credit markets, leading to higher borrowing costs, or for funding ongoing operations. NetCo, similarly to other operators in the telecommunications industry, contracts with large financial institutions to support its own operations, and may enter into contracts to hedge its exposure on interest rates and foreign exchange and the funding of credit lines and other short-term debt obligations. These financial institutions face stricter capital-related and other regulations in Italy and Europe, as well as ongoing legal and financial issues concerning their loan portfolios, which may hamper their ability to provide credit or raise the cost of providing such credit.

While NetCo may prove to be successful in accessing the credit and fixed income markets when needed, adverse changes in the financial markets could render it able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting its business operations. Additionally, downgrades of its credit rating by the major credit rating agencies could increase its cost of borrowing and also impact the collateral NetCo would be required to post under certain agreements it enters, which could negatively impact its liquidity.

There is a risk that Italy's economic growth in 2024 will experience a slowdown.

NetCo currently operates exclusively in the Italian market and its success is therefore closely tied to general economic, legal and political developments in Italy and cannot be offset by developments in other markets. NetCo's operates in the fixed telecommunications industry in Italy. In the fourth quarter of 2023, Italy's gross domestic product expanded by 0.2% with respect to the previous quarter and by 0.6% compared to the fourth quarter of 2022. In 2023, Italy's gross domestic product at current prices grew by 6.2% compared to the previous year. The prospects for comparable growth in 2024 will hinge on Italy's employment growth, the deceleration of expansion and a partial increase in salaries.

A significant slowdown in Italy's economic growth could impact the demand for telecommunications products and services in Italy, which could have an adverse effect on NetCo's business, financial condition and results of operations.

Increasing energy costs and NetCo's inability to effectively implement pass-through mechanisms may adversely affect its results of operations.

NetCo is dependent on a constant supply of energy in order to manage its large fixed-line network and operations. If, for any reason, certain of its energy supply contracts were terminated or were not renewed upon expiration, or if market conditions were to substantially change resulting in a significant increase in the energy prices, including as a result of the ongoing inflationary surge as well as the military conflict between Russia and Ukraine, NetCo could not be able to timely find alternative, comparable suppliers or suppliers capable of providing energy on terms or in amounts that NetCo deems satisfactory. See “—Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition.”

Even though NetCo maintains a sourcing strategy in place to stabilize its energy costs, in light of the current macroeconomic conditions, increases in energy costs in the short- to medium-term could adversely impact NetCo's margins. See “Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition.” For a description of the risks associated with NetCo's regulated activities, please see “—Risks Related to NetCo's Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC⁺ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected.” However, NetCo may only be able to pass them through on a delayed basis, which could reduce its margins, either temporarily or for an extended period of time. If NetCo fails to effectively pass through such costs, its business, financial condition and results of operations may be negatively affected.

The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy's employment rate and ultimately in NetCo's direct customers' services demand.

The Italian economy is facing significant risks due to an energy price shock and high inflation. The inflation rate in Italy, which has reached record highs of almost 12%, is putting pressure on real disposable incomes and weakening purchasing power, negatively impacting internal demand. If wages adapt to the new level of prices within a reasonable time lag (a number of wage agreements were concluded before the energy price shock commenced) and price pressures ease, private consumption may pick up again during the course of 2024.

High input costs and a prolonged tightening of financing conditions triggered by the more stringent monetary policies introduced by the major central banks to fight inflation will likely negatively affect corporate investments. The housing market will also be negatively impacted. Government capital spending (on the back of NRRP fund financed investment) is instead expected to remain robust. Significant increase in interest expenditure and the need for fiscal discipline is expected to reduce the measures.

Labor demand is already decreasing in more energy-intensive sectors such as manufacturing and construction, but employment growth has also slowed down in the retail and tourism sector. Overall, the unemployment rate, which as of December 31, 2023, was at around 7.2%, is expected to slightly rise over the next two years.

The Italian government's interest expenditure increased in 2021 by €5.5 billion due to higher bond yields on its debt, although the interest expenditure relative to GDP remained stable at 3.5%, and there is a need to reduce the country's general government debt-to-GDP ratio, which reached 172.5% in 2022. As a result, the Italian government's financial manoeuvring room will be very limited in the coming years, especially if European-level agreements on returning to fiscal discipline are implemented.

The above factors are affecting the spending capacity of NetCo's direct costumers and end-consumers. Prolonged macroeconomic conditions such as those described above could materially affect NetCo's direct customers. Given that NetCo is expected to provide wholesale-only related services to telecommunication operators, it could not take any proactive measure to offset such conditions. NetCo will remain dependant on how its direct customer will handle downfalls in demand. As a result, NetCo could be exposed to financial instability of its clients, thereby increasing its bad debts and reducing its revenue streams, which could in turn have a material adverse effect on its results of operations and financial stability.

Any outbreak of severe communicable diseases, including the emergence of new variants of COVID-19, could significantly affect NetCo's operations.

Since its outbreak in December 2019, a pandemic caused by coronavirus, COVID-19, had spread globally and had created significant macroeconomic uncertainty and disruption, affecting markets where NetCo has operations. In response, many governments had implemented measures to stop or slow the COVID-19 pandemic, such as lockdowns, and these measures remained in place for a significant amount of time. The COVID-19 pandemic also led to scarcity of financing, weakness in the capital markets, weak consumer confidence and declining consumption in many markets. It also worsened the sovereign debt crises, particularly in the Eurozone.

The COVID-19 pandemic and the response thereto had materially adversely impacted other telecommunication operators and may in the future materially adversely impact NetCo's business, as well as its various stakeholders. As a result of COVID-19 pandemic, or any other outbreak of severe communicable diseases, NetCo's operations could experience delays and disruptions, such as heightened pressure on its networks by remote working trends and increases in data usage. In future, if business interruptions caused by epidemic or pandemics last longer than expected, NetCo may need to seek other sources of liquidity, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms and in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs.

The repercussions of the COVID-19 pandemic and the response implemented could have complex and hard-to-predict consequences for the future. Additionally, to the extent the COVID-19 pandemic continues, or a different pandemic begins, it may also have the effect of heightening other risks described in this “*Risk Factors—Risks Related to NetCo*” section. The possibility of outbreaks of new COVID-19 strains, or other severe communicable diseases, cannot be completely excluded. It may affect NetCo's operations by resulting in, among other things, shortage of electronic components and other items used to manufacture its network equipment or increasing bad debt of its customers. It may also have significant negative effects on network improvements and maintenance, procurement and the supply chain, as well as decreasing margins, lower revenues or delays in cash flows. Additionally, any deterioration in financial markets could impair NetCo's ability to secure financing in the future, including its ability to incur additional indebtedness to operate its ongoing operations, fund liquidity needs or to refinance or repay debt obligations, including the Optics Notes. See “*NetCo's costs of developing, maintaining, repairing, upgrading, protecting and replacing its existing fixed-line network are high and could become higher than expected*” and “*NetCo's business is capital intensive and it may not have sufficient liquidity to fund its capital expenditures or generate the expected returns in the future.*” Any of the foregoing risks could materially and adversely affect NetCo's business, financial condition and results of operations.

Risks Related to NetCo's Legislative and Legal Framework

The Italian Golden Power Authority has in the past exercised its special powers under the Italian Golden Power Legislation with respect to the TIM Group and may in the future exercise again the said special powers, including with respect to strategic transactions to be entered into by NetCo.

In Italy, the Italian Golden Power Legislation provides the Italian Golden Power Authority with certain special powers over companies of strategic importance for the national essential interests.

In particular, pursuant to the Italian Golden Power Legislation, the Italian Golden Power Authority may, among other things, exercise a veto or impose, undertakings, conditions and other requirements in certain cases, such as:

- (i) the acquisition of certain shareholdings in Strategic Companies; and
- (ii) resolutions, acts or transactions concerning Strategic Companies that hold strategic assets, and which involve a change in the ownership, control, possession or intended use or purpose of such assets or relationships of strategic importance, such as mergers, de-mergers, transfers of assets or business units in which such assets are included and the enforcement and, according to a prudential interpretation, the granting or extension of securities over (i) the shares, if it concerns a shareholding in a Strategic Company meeting or exceeding, as the case may be, the thresholds indicated below or (ii) on strategic assets.

With reference to the acquisition of shareholdings in Strategic Companies, the Italian Golden Power Legislation provides that the following transactions, acts and resolutions shall be communicated to the Italian Golden Power Authority for screening purposes and the possible exercise of the right of veto or the imposition of undertakings, conditions and/or other requirements:

- acquisitions by both EU/EEA (including Italian) and non-EU/EEA natural persons or legal entities of shareholdings in Strategic Companies in the defense and national security sectors exceeding 3% of the share capital and/or voting rights, and subsequently in the event of exceeding the thresholds of 5%, 10%, 15%, 20%, 25% and 50%;
- acquisitions, by non-EU/EEA natural persons or legal entities, of a stake representing at least 10% of the share capital and/or the voting rights (when the value of the investment is equal to at least €1.0 million) of a Strategic Company in any sector covered by the Italian Golden Power Legislation; acquisitions that exceed the thresholds of 15%, 20%, 25% and 50% or that in any case result in the acquisition of control over the relevant Strategic Company are also subject to the reporting obligation; and
- acquisitions, by EU/EEA (including Italian) natural persons or legal entities of control over Strategic Companies in the energy, transport, communication, water, health, financial and agri-food sectors.

The Italian Golden Power Legislation provides for specific sanctions to be applied in case of non-compliance with its provisions, including, among others, administrative pecuniary sanctions up to two times the value of the transaction and in any case not less than 1% of the company turnover (or of the cumulative turnover of the companies involved in the relevant transaction) as resulting from the last financial year for which the financial statements have been approved. Furthermore, failure to comply with the obligations under the Italian Golden Power Legislation or any veto, undertaking, condition and/or other measure imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void.

On October 16 and November 2, 2017, specific provisions regarding corporate governance and organization were imposed on the TIM Group through two Prime Ministerial Decrees. Among these, the establishment of the Security Organization was imposed, which is responsible for activities relevant to national security and involved in all decision-making processes relating to strategic activities and the network. This structure provides that the Security Organization relies on a security officer, who reports to a member of the board of directors with exclusive responsibility for security.

On January 16, 2024, the Italian Golden Power Authority issued a decree with which it imposed undertakings in reference to the Acquisition, as the NetCo Business was considered as a strategic asset for the telecommunications sector and for defense and national security. In this context, the Italian Golden Power Authority has imposed various requirements and conditions including in relation to governance, internal organization (confirming the obligation to establish a Security Organization), planning, compliance, network security, continuity of supplies, the locations where certain activities can be carried out and certain assets can be located, the supply chain, intellectual property and information. Furthermore, NetCo is required to provide every six months to the monitoring committee of the Italian Golden Power Authority a compliance report describing the measures implemented by NetCo in order to comply with these requirements.

In light of the above, in relation to the corporate aspects of NetCo, the Italian Golden Power Authority may veto or impose conditions and/or requirements to consent to the implementation of any transaction, act or resolution falling within the scope of application of the Italian Golden Power legislation. Consequently, following the successful completion of the Transactions, the right of the TIM Group and NetCo to pursue resolutions, deeds or commercial or industrial operations which provide for, among other things, the acquisition or subscription of its shares will remain subject to the Italian Golden Power Authority and the Italian Golden Power Legislation. Therefore, the TIM Group and NetCo may not be authorized to undertake such transactions, acts or resolutions in a timely manner, without restrictions and/or undertakings which may or may not have a material impact. Pursuant to Italian Golden Power legislation, the Push-Down Merger will also be the subject of a new application to the Italian Golden Power Authority.

Within the framework of the provisions on national security, the Italian Golden Power Legislation was accompanied by the legislation concerning the National Cyber Security Perimeter (“PSNC”), established with Italian Law No. 133/2019. The PSNC intends to ensure a high level of security of the networks, information systems and IT services of public administrations, public and private bodies and operators having an office in the national territory, on which

the exercise of an essential function in Italy depends, or the provision of an essential service for the maintenance of civil, social or economic activities, fundamental to the interests of Italy and whose malfunction, interruption, even partial, or improper use, may result in prejudice to national security.

NetCo is required to comply with the legislation on the PSNC. Failure to comply with obligations may result in administrative fines of up to €1.8 million. Furthermore, the use of products and services in the absence of the required communications to the relevant authorities, or the passing of the tests or in violation of the established conditions may lead to the application of the additional administrative sanction of inability to assume management, administration and control roles in legal entities and businesses, for a period of three years starting from the date of discovery of the violation. Finally, anyone who provides untruthful information, data or factual elements to hinder or influence the completion of procedures or inspection and supervisory activities is punished with imprisonment from one to three years.

NetCo operates under authorizations granted by government authorities and has to satisfy certain obligations in order to maintain such authorizations.

Many of NetCo's activities require authorizations from governmental authorities in Italy. These authorizations specify the types of services the operating company holding such authorization may provide. The continued existence and terms of NetCo's authorizations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. In addition, its current authorizations to provide networks and services require that NetCo satisfies certain obligations, including minimum specified quality levels, service and coverage conditions. Failure to comply with these obligations could result in the imposition of fines or even in the revocation or forfeiture of the authorization. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for a particular network build-out. If NetCo fails to renew any of its licenses, permits, or authorizations, NetCo's ability to effectively operate relevant businesses may be materially and adversely affected. The procedure to obtain licenses, permits and authorizations (and renewals thereof) may be complex, lengthy, expensive and may require ongoing compliance with various obligations. Moreover, even if NetCo obtains the renewal of its licenses, permits and authorizations, the costs for obtaining those might be higher than those it expected. Finally, if NetCo fails to comply with the requirements of the applicable legislation and regulatory framework in general, which are very detailed and complex in nature, its authorizations may be suspended or terminated, or significant fines imposed.

NetCo's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.

In the ordinary course of business, NetCo processes personal data on customers, business partners, employees, users, third parties and others and therefore it must comply with strict data protection and privacy laws and regulations. Any processing of personal data of individuals located in the EEA in the course of the provision of services is governed by European data protection laws and regulations, which restrict its ability to collect, process and use personal data relating to customers, potential customers, business partners, and employees, including for marketing purposes.

Such laws and regulations concern the collection, use, retention, security, processing and transfer of personal data. In particular, NetCo's operations are subject to the GDPR, and to the Italian Privacy Code. The GDPR increased both the number and the restrictive nature of the obligations binding NetCo, in particular with respect to the collection, processing and use of personal data. Such obligations include, for example, (i) the processing of personal data in accordance with the transparency, data minimization, accuracy, storage limitation, security and confidentiality principles, (ii) the ability to demonstrate compliance with such principles (accountability), (iii) the obligation to identify a legal basis before the processing, (iv) the obligation to ensure the rights of data subjects, such as, among others, the right of access, the right to rectification and the right to erasure (which would require NetCo to permanently delete a user's personally identifiable information in certain circumstances), and (v) more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the former regime. The GDPR obligates companies to implement several formal processes and policies to review and document the privacy implications of the development, acquisition, or use of all new products, technologies, or types of data. The GDPR, *inter alia*, provides for significant applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the former regime. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). In addition, according to the Italian Privacy Code, certain criminal sanctions could be applied to individuals involved in unlawful processing activities.

The regulatory environment governing NetCo's use of personal data (customers, employees and others) is complex. Privacy, data protection and information security laws and regulations change frequently, and compliance with such laws and regulations may require NetCo to incur significant costs to make necessary systems changes and implement new administrative processes.

For example, the European Commission has proposed to replace the ePrivacy Directive with a new regulation primarily aimed at aligning certain provisions of the ePrivacy Directive to the GDPR. The ePrivacy Regulation was published by the European Commission on January 10, 2017, and is currently under negotiation in light of the draft proposals issued by the European Parliament and the European Council. The draft ePrivacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personally identifiable information, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the ePrivacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data processing, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with the Italian Data Protection Authority (*Autorità Garante per la Protezione dei Dati Personali*) and to be sanctioned with heavy fines. Any failure, or perceived failure, by NetCo to comply with any applicable data protection laws and regulations could result in proceedings, investigations or actions (including class actions) brought against it by governmental entities, agencies, or private individuals or entities, and in significant fines, penalties, judgments and reputational damages to NetCo's business, requiring it to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect its business, financial condition, results of operations and prospects. Moreover, the risk of personal data breaches can lead to disputes with the interested data subjects. Even the perception of privacy and data protection concerns, whether or not valid, may harm NetCo's reputation and inhibit its business with current and future customers, which could have an adverse effect on its business, financial condition and results of operations.

If NetCo is found liable for anti-competitive practices, it may be subjected to substantial liability which could have an adverse effect on its reputation, business, financial condition, results of operations and/or prospects.

NetCo is subject to laws and regulations relating to anti-competitive practices and anti-monopoly. With specific reference to Italian Competition Law, Italian Law No. 287 of October 10, 1990, as amended and supplemented from time to time, on the protection of competition and the market, prohibits, inter alia, activities and behavior that amount to anticompetitive agreements and abuses of a dominant market position.

In the future, relevant competition authorities could find NetCo's business practices to have an anti-competitive effect or could determine that it has violated relevant laws and regulations relating to competition and anti-monopoly. For example, the AGCM could find NetCo's business practices discriminatory, alleging unequal treatment and conditions for accessing its fixed-line network, which could potentially disadvantage end-users by limiting their choices and leading to higher prices. Further, in the context of potential AGCM's investigations, NetCo may propose to undertake certain commitments in order to eliminate any alleged anti-competitive effects. If NetCo is found to have violated any laws and regulations relating to competition and anti-monopoly or to have breached any of the abovementioned commitments, it may be subject to, among other things, substantial liability such as payments of fines which could have a material adverse effect on its reputation, business, financial condition, results of operations and/or prospects.

NetCo's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conduct, for which NetCo could be liable.

Any contact by NetCo's directors, employees, agents or partners with the public administration or procurement officers of private clients (including in the context of participations in auctions, interactions held with the public administration in the process of obtaining or renewing any authorization or license and any possible public contribution) involves risks associated with fraud, bribery, corruption, incorrect use of public contributions and other fraudulent activities by its employees and related investigations.

NetCo is also exposed to the risk that its directors, employees or agents commit IT related crimes, which may consist of using NetCo's infrastructure to violate the IT systems of its clients, unlawful access to banking data (including that

of its clients' customers) and damages to the IT systems and documents. In addition, NetCo may be subject to claims in connection with damage to property, business interruptions, unauthorized use of property, unauthorized entry or breach of security protocols, negligence, wilful misconduct or other tortious acts by its employees or people who have gained unauthorized access to premises operated by NetCo. Such claims may be substantial and may result in adverse publicity for NetCo. NetCo's business activities may also involve risks related to possible accidents, which may be due to its employees' activities or mistakes and may consist in crimes, breaches of security measures, damages to third parties or manslaughter.

Notwithstanding the existence of this model or any updates that NetCo may make to it, there can be no assurances that it will function as designed, or that it will be considered adequate by any relevant legal authority. Further, NetCo may be unable to detect or prevent every instance of unlawful conduct involving its directors, employees, consultants, partners, agents and third-party agents' representatives and intermediaries and/or may fail to adequately update and implement such policies, procedures, systems and controls. NetCo's monitoring systems may not be sufficient to prevent, detect and identify inadequate practices and violation of law by such individuals.

In particular, pursuant to Italian Legislative Decree 231/2001, NetCo may be held responsible for certain crimes committed in Italy or abroad including, among others, bribery, money laundering, corruption (including among private individuals), anti-competitive behavior, fraud against the state, corporate offenses, market abuse, certain tax and customs violations, and certain environmental and workplace safety violations in the NetCo's interest or for the NetCo's benefit, by individuals having a functional relationship with NetCo at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless NetCo is able to prove that such individuals fraudulently violated the internal control model and it was reasonably not possible for NetCo to avoid such violation. In such circumstances, NetCo may be subject to pecuniary fines, confiscation of profits or disqualifying sanctions (which could be applied also as interim measures during the investigations), including, subject to certain conditions being met, the termination of authorization, permits, licenses, concessions and financing arrangements, including facilitated financing, the suspension of NetCo's operations, or prohibitions on contracting with public authorities. The duration of these disqualifications could range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied for a longer duration period. As an alternative to the disqualifying sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated.

Any of the foregoing events may have a material adverse effect on NetCo's business, financial condition and results of operations.

NetCo may be involved in disputes and litigation with regulators, competition authorities, competitors and other parties and may become the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain.

NetCo could be subject to numerous risks relating to legal (civil and criminal), tax, competition and regulatory (including health and safety) proceedings which could develop in the future. Such proceedings are inherently unpredictable. Legal, tax, competition and regulatory proceedings in which NetCo may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on NetCo's results of operations and/or financial condition and cash flows in any particular period. Furthermore, its involvement in such proceedings may adversely affect its reputation.

If NetCo faces an adverse decision in any of the legal proceedings to which it could be a party and is ordered to pay amounts greater than what it has recognized to cover potential liabilities, NetCo may face adverse effects with respect to it and/or its operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. In recognizing potential liabilities, NetCo takes into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognized where liabilities are probable and can be estimated reliably. The provisions represent an estimate of the financial risk connected with the particular proceedings, in line with the relevant accounting standards. Nonetheless, NetCo may be obligated to meet liabilities linked to unsuccessful outcomes for proceedings that were not taken into consideration when calculating those reserves and the provisions made may not be sufficient to fully meet such obligations through use of its reserves. If any material disputes are resolved against NetCo, they could, individually or in the aggregate, have a material adverse effect on its results of operations, financial condition and cash flows.

For more details, please see “*Business of NetCo—Legal Proceedings and Disputes.*”

NetCo is exposed to the risk of labor disputes.

The acceleration in technological transformation in the telecommunications sector has created the need to address integrated organizational review activities, digitalization of processes and adaptation of the skills and capabilities of all staff members.

Overall, NetCo has a good relationship with its workers and trade unions. However, following the Transactions, NetCo’s employees may be, or become, uncomfortable with the Transactions, which could have an impact on work quality and retention. Article 2112 of the Italian Civil Code provides, among other things, for the automatic transfer of all the employees belonging to the business unit being transferred. Also, the transferring employees are entitled to maintain terms and conditions of employment applied to their employment as of the date of transfer, which cannot be unilaterally changed by the transferee. However, terms and conditions of employment of the transferring employees which are in place on the basis of a national, or company level collective agreement can be replaced (even to the detriment of the latter employees) by those in force at the transferee, but only if and to the extent that the latter are provided for, respectively, by the national or company level collective agreement applied by the transferee. In view of the above, it cannot be excluded the risk that, on one hand, some employees of the TIM Group who are not transferred to NetCo may commence a legal claim to be considered as part of the transferred business, asking to be re-qualified as NetCo’s employees and/or, on the other hand, claims from former employees of the TIM Group transferred to NetCo in the context of the Transactions, who may challenge their transfer and seek to be retransferred to the TIM Group. Such risks could be avoided only if, after the NetCo Business is transferred, the relevant employees expressly waive any claims and rights deriving from Article 2112 of the Italian Civil Code. Such waiver is to be encompassed in a compromise agreement which needs to be signed before any unions or the labor office. See “*Business of NetCo—Employees.*” There can be no assurance that such employees will waive their rights and claims.

NetCo may be subject to claims and penalties relating to the health and safety of its employees or of third parties.

NetCo’s operations are subject to environmental as well as health and safety laws and regulations, including those concerning occupational health. In most cases, NetCo is responsible for the safety of its personnel as well as any external worker operating at its premises and the general health wellbeing of its customers’ employees and patrons who may work or do business nearby. If NetCo fails to implement safety procedures or if the procedures NetCo implements are ineffective, its employees and others may become injured. NetCo may incur significant costs, including fines, penalties (including operational bans), civil, criminal (also pursuant to Italian Legislative Decree No. 231/2001) and administrative sanctions as a result of violations of, or liabilities under the applicable health and safety laws and regulations. Unsafe work sites also have the potential to expose NetCo to increase employee turnover, increase the cost of a service to its customers or the operation of a facility, and raise its operating costs. Any of the foregoing may result in financial losses, which may have a material adverse effect on its business, results of operations and financial condition.

Under applicable Italian law, when workers become injured in connection with their duties and as a result are absent from work for more than 40 days, the relevant public prosecutor must open an investigation into workplace safety and, depending on the circumstances, may bring criminal proceedings against NetCo, its local officer entrusted with workplace safety or against its management or chief executive officer.

Workplace accidents or similar occurrences may damage NetCo’s reputation and negatively affect its reputation and result in criminal and/or administrative liability, including pursuant to Italian Legislative Decree No. 231/2001. See “—*NetCo’s organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conduct, for which NetCo could be liable.*”

In addition, the EU Corporate Sustainability Reporting Directive requires disclosure of any material actual and potential impacts on value chain workers in relation to working conditions (impacts related to living wage, health and safety, social security, working hours, water and sanitation); access to equal opportunities (impacts related to discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance); other human rights, (impacts related to trade union rights, freedom of association and collective bargaining, child labor, forced labor, privacy, adequate housing). Failure to comply may

lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. See also “—*Failure to meet stakeholders’ Environmental, Social and Governance (“ESG”) expectations, as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.*”

Risks Related to NetCo’s Financial Information

NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance.

During all historical periods covered by the financial statements included in this Exchange Offer Memorandum, and until the consummation of the Transactions, NetCo has been and will be part of the TIM Group. Accordingly, NetCo has no independent operating history that can be used as a basis for evaluating its financial condition, results of operations and expected future performance following the Transactions.

NetCo Unaudited Combined Pro Forma Carve-out Financial Information has been prepared to present the income statement and statement of financial position as if NetCo had been operating as a stand-alone entity during the periods presented and they are based on certain assumptions of the management of the TIM Group, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. See also note (6) in “*Corporate Structure and Certain Financing Arrangements of the Optics Group Pro Forma for the Transactions as of December 31, 2023*” and “*Risk Factors—Risks Relating to the Optics Notes—Until the Push-Down Merger is consummated (if at all), Optics’ ability to repay its debt will be dependent on its ability to obtain cash from its subsidiaries.*” If NetCo had been operating as standalone company or group during all historical periods covered by the financial statements included in this Exchange Offer Memorandum, the income statement and statement of financial position may have been different from those presented herein, as they would depend on many factors, including organizational structure, financing structure and strategic decisions made in various areas.

NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum was prepared solely for illustrative purposes and does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date. NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum is based on assumptions and its usefulness is, therefore, inherently limited. Such *pro forma* financial information is prepared by applying certain *pro forma* adjustments to the NetCo Audited Combined Carve-out Financial Information, thereby giving effect to the Transactions. In preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum, the TIM Group made certain adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information based on currently available information and on assumptions that the TIM Group’s management believes are reasonable. In addition, this Exchange Offer Memorandum includes certain *pro forma* financial information of Optics. In preparing the *pro forma* financial information of Optics included in this Exchange Offer Memorandum, Optics made certain adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information to give effect to the Transactions which are based on certain assumptions, including the other debt of Optics that will be outstanding as of the Acquisition Closing Date. See “—*Risks related to NetCo’s Business and Industry—Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group.*”

The estimates and assumptions used in the calculation of such *pro forma* financial information may be materially different from the actual results. For example, under the Transaction Agreement, TIM and KKR have agreed to negotiate in good faith the allocation of certain payments due from NetCo to TIM. Given the ongoing discussions between TIM and KKR, the NetCo Audited Combined Carve-out Financial Information, NetCo Audited Consolidated Pro Forma Carve-Out Financial Information, and TIM Audited Consolidated Pro Forma Carve-Out Financial Information have been prepared based on certain assumptions regarding the allocation of such payment, which may not accurately reflect the actual allocation that will be agreed before the Acquisition Closing Date. See “*NetCo*

Unaudited Combined Pro Forma Carve-out Financial Information.” In addition, the NetCo Audited Combined Carve-out Financial Information and the NetCo Unaudited Combined Pro Forma Carve-out Financial Information do not include any potential non-financial liabilities and off balance-sheet guarantees associated with the NRRP tenders. Such non-financial liabilities and the related off balance-sheet guarantees could arise if the NRRP advance payments received by TIM at the end of 2023 are subsequently allocated to NetCo (from TIM or Infratel), which would then need to correspondingly reserve a liability in respect of such non-financial liabilities.

Furthermore, the *pro forma* financial information of NetCo included in this Exchange Offer Memorandum does not give effect to any other events than those described in such *pro forma* financial information, and the notes thereto, nor does it reflect forward-looking data, as it was prepared to represent only the isolatable and objectively measurable effects of the Transactions, without taking account of the potential effects of changes in management policy and operating decisions resulting from the Transactions. Considering that the purposes of the *pro forma* financial information included in this Exchange Offer Memorandum are different than those of the historical financial statements, the two sets of data should be read and interpreted separately, without trying to connect them from an accounting perspective.

The NetCo Audited Combined Carve-out Financial Information and the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are provided as of and for the year ended December 31, 2023. After the date of this Exchange Offer Memorandum and prior to the Longstop Date, investors will not receive financial statements or other periodic financial information specifically related to NetCo. Investors should be aware that they will be making their investment decision based on historical information, without the benefit of updated financial data for NetCo.

For more information, see “*Summary Financial and Other Carve-Out Information of NetCo and Optics*,” “*Management’s Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*” and “*—NetCo’s Pro Forma Organic EBITDA figures presented in this Exchange Offer Memorandum are derived from estimates and assumptions regarding specific initiatives and the impact of certain events. These estimates and assumptions could be materially inaccurate due to factors beyond NetCo’s control, as well as a range of known and unknown risks, uncertainties and other variables.*”

NetCo’s Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo’s control and are subject to known and unknown risks, uncertainties and other factors.

In this Exchange Offer Memorandum, certain *pro forma* adjusted financial data which are based on various assumptions, including, *inter alia*, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. See “*Summary Financial and Other Pro Forma Carve-Out Information of NetCo and Optics*” for additional details regarding these *pro forma* adjusted financial data and their underlying assumptions. These assumptions are based on TIM management’s estimates, and they involve risks, uncertainties, further assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such *pro forma* adjusted financial data.

In particular, NetCo’s *Pro Forma Organic EBITDA-AL* presented in this Exchange Offer Memorandum has not been subject to audit or review by auditors, consultants or experts and the estimates, adjustments and assumptions that have been used to calculate such Non-IFRS Measure may prove to be inaccurate or may be affected by other factors that have not been accounted for. NetCo’s *Pro Forma Organic EBITDA* is based on a number of assumptions and estimates. These assumptions and estimates are forward-looking by nature and are inherently uncertain and are subject to significant business, economic and competition factors which are difficult to predict and some of which are beyond NetCo’s control.

Although estimates and assumptions applied in calculating NetCo’s *Pro Forma Organic EBITDA-AL* have been reasonable at the time they were made, there can be no assurance that such assumptions will prove accurate. Furthermore, the positive effects of these initiatives could be negated by market downturns, rising expenses, or other unforeseen or unknown factors within NetCo’s business. In addition, the costs and other benefits described herein may be substantially different than TIM’s estimates, which in turn could outweigh any benefit. Furthermore, NetCo’s

Pro Forma Organic EBITDA-AL includes certain estimated normalization items that reflect costs not included in the NetCo Audited Combined Carve-Out Financial Information or the NetCo Unaudited Combined Pro Forma Carve-Out Financial Information. TIM's management estimates that these costs will be incurred by NetCo as a standalone entity following the completion of the Acquisition. These normalization items are not intended to represent the full range of additional costs or potential dis-synergies that NetCo, as a standalone entity, may face as part of its ongoing cost structure.

In addition, NetCo's pro forma Operating Free Cash Flow is based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum. Such management accounts have not been audited or reviewed, nor have any procedures been performed by TIM's independent auditors with respect thereto.

NetCo's *Pro Forma Organic EBITDA-AL* and the underlying calculations have not been prepared with a view to compliance with the published guidelines of the SEC or the guidelines published by any other regulatory or industry body regarding estimates, and therefore have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. NetCo's *Pro Forma Organic EBITDA-AL* is included in this Exchange Offer Memorandum as it provides a useful indication of what its results would have been had certain events happened within a certain timeframe or had certain extraordinary events not occurred or occurred differently; however, this information does not constitute a measure of financial performance under IFRS or other generally accepted accounting principles, and prospective investors of the Optics Notes should not consider any of this information as an alternative to operating profit or any other performance measure derived in accordance with IFRS or as a measure of NetCo's results of operations or liquidity. If any of the underlying assumptions or estimates prove to be incorrect, Optics may not generate sufficient cash flow to redeem the principal of and pay interest on the Optics Notes when they become due.

There is no assurance that NetCo's future controlling shareholder's strategy and estimates will be consistent with TIM's management's.

Upon the successful completion of the Transactions, KKR will transition from holding a 37.5% stake in FiberCop to becoming the controlling shareholder of NetCo. Please see “—Following the successful completion of the Transactions, the interest of NetCo's controlling shareholder and/or minority shareholders may conflict with the interests of NetCo and the holders of the Optics Notes” and “Summary—The Transactions.” With such control, KKR will have the authority to appoint certain number of members to the board of directors and statutory auditors, thereby influencing the direction of NetCo's business and strategic planning.

The financial information regarding NetCo included in this Exchange Offer Memorandum has been prepared by TIM's management. See “—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance” and “—NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors.” As such, the perspectives and insights provided reflect TIM's management's understanding and expectations of NetCo's operations, regulatory framework and future potential. However, under KKR's direction and control, there may be shifts in strategic focus, operational priorities and financial projections that could materially differ from those included herein. KKR's vision for NetCo's business plan, strategic initiatives and day-to-day management may introduce new estimates and models that could materially diverge from the data and analysis presented in this Exchange Offer Memorandum. Prospective investors of the Optics Notes should carefully consider that these potential and material differences could impact NetCo's business, results of operations, financial condition and future performance, as KKR could implement its own strategies and operational methodologies in a way that materially differs from the TIM's management's view.

Risks Relating to the Transactions

Termination of the Transaction Agreement or failure to otherwise complete the Acquisition could negatively impact the TIM Group's business and financial results.

Termination of the Transaction Agreement or any failure to otherwise complete the Acquisition may result in various consequences, including:

- the TIM Group not being able to realize the anticipated benefits of the Acquisition. Such anticipated benefits include, among others, the expected reduction in the net leverage of the TIM Group and an easing of the TIM Group's current regulatory obligations. For more information, see "*—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*" and "*Summary—The TIM Group's Strategy—Delaying Plan.*"
- the TIM Group's business being adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Acquisition, without realizing any of the anticipated benefits of completing the Acquisition; and
- negative reactions from the financial markets, respective customers and other stakeholders possibly related to the above.

The Acquisition is subject to certain uncertainties and conditions and, as a result, the Acquisition may not be consummated and this may adversely impact the trading in the New Notes and the rating of the Original Notes and New Notes.

Pursuant to the Transaction Agreement, the completion of the Acquisition is subject to certain closing conditions, including, for example, the satisfaction of antitrust and other regulatory approvals. As of the date of this Exchange Offer Memorandum, TIM has not yet obtained (i) the authorization by the European Commission, under the powers conferred to it by Antitrust Law, approving the Acquisition or confirming that the Acquisition does not require approval, and (ii) the authorization from the European Commission, under the powers conferred to it by FSR Law, approving the Acquisition or confirming that the Acquisition does not require approval. If such conditions are not fulfilled by the Longstop Date or, if for any other reason, the Acquisition is not consummated on or prior to the Longstop Date, the Transaction Agreement may be terminated and the Acquisition may not be completed. While the Exchange Offers are not conditioned upon the Acquisition completing, the Acquisition Exchange is triggered on the basis of whether the Acquisition is consummated or not.

If the Acquisition is not completed on or prior to the Longstop Date, then each series of USD New Notes and EUR New Notes will not be mandatorily exchanged for the notes of the relevant series of USD Optics Notes and EUR Optics Notes pursuant to the Acquisition Exchange and will remain outstanding as a separate series not fungible with the relevant series of USD Original Notes and EUR Original Notes, as applicable. See "*Terms of the USD Exchange Offers—USD Acquisition Exchange.*"

The terms and conditions of each series of the EUR New Notes and USD New Notes will be substantially similar to those of the relevant series of EUR Original Notes and USD Original Notes, subject to certain exceptions, including, but not limited to, the Acquisition Exchange and, in respect of the USD New Notes, qualification of the relevant indentures under the U.S. Trust Indenture Act of 1939, where applicable. Each series of EUR New Notes and USD New Notes will not be fungible with the relevant series of EUR Original Notes and USD Original Notes, which may affect the trading market value of the relevant series of EUR New Notes and USD New Notes.

In addition, there can be no assurance that, if the Acquisition is not consummated, one or more rating agencies will not change or comment on the ratings of the Original Notes and New Notes. Any changes in ratings could adversely affect the market price of the Original Notes and the New Notes. Moreover, the failure to consummate the Acquisition may also impact the trading of the Original Notes and the New Notes, given that investors participating in the Exchange Offers may have priced in the expectation to become investors in the debt of a stand-alone NetCo business.

[REDACTED]

The Acquisition is subject to the compliance of certain undertakings and obligations, and, as a result, NetCo Business pre-consummation of Acquisition or the Acquisition Closing Date may be impacted by such undertakings.

Under the Transaction Agreement, TIM has agreed to certain undertakings that place restrictions on TIM Group's ability to operate the NetCo Business (e.g., limitations to dispose of certain rights, benefits or assets) until the consummation of the Acquisition. Furthermore, TIM is subject to certain other interim obligations with reference to the NetCo Business which, if materially breached, will entitle Optics to delay the Acquisition Closing Date until the Longstop Date. As a result, whether or not the Acquisition is completed, the announcement, pendency and delays of the consummation of the Acquisition may cause disruptions to NetCo's business, which could have an adverse effect on its business, financial condition and results of operations.

If the Acquisition is not consummated, the substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may jeopardize the fulfillment of its obligations, including its payment obligations under the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes.

Prior to the consummation of the Acquisition, and in the event the Acquisition is not consummated, the TIM Group will have a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2023, the TIM Group had €32,636 million of consolidated gross financial debt (including lease liabilities of €5,581 million). The Revolving Credit Facility (as defined in the "Description of other Indebtedness of the TIM Group") provides for borrowings up to an aggregate principal amount of €4,000 million, subject to certain conditions. The Revolving Credit Facility was undrawn as of December 31, 2023. The TIM Group's Net Financial Debt Carrying Amount was €25,776 million as of December 31, 2023, compared to €25,370 million as of December 31, 2022. See "Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group." The TIM Group expects that, should the Acquisition not be completed, its high leverage will persist for the foreseeable future. In addition, if the Acquisition is not consummated and, as a result, the contribution to FiberCop of the NetCo Business is not completed, the management and development of the TIM Group's operative business will require significant investments. The TIM Group may, therefore, need to incur additional debt.

Its significant leverage could have important consequences for the TIM Group's business and operations and for holders of the Original Notes (not tendered or accepted in the Exchange Offers) and the New Notes, including, but not limited to:

- making it more difficult for the TIM Group to satisfy its obligations with respect to the Original Notes (not tendered or accepted in the Exchange Offers) and the New Notes and its subsidiaries' other debts and liabilities, including in respect of bonds and credit facilities maturing prior to the maturity date of the Original Notes (not tendered or accepted in the Exchange Offers) and the New Notes;
- requiring the dedication of a substantial portion of its cash flow from operations to the repayment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, and limiting the ability to obtain additional financing, to fund capital expenditures, working capital, acquisitions, joint ventures, or other general corporate purposes;
- increasing its vulnerability to, and reducing its flexibility to respond to, a downturn in its business or general economic or industry conditions;
- placing the TIM Group at a competitive disadvantage relative to competitors with lower leverage or greater financial resources;
- limiting its flexibility in planning for or reacting to competition or changes in its business and industry;
- negatively impacting credit terms with its creditors;
- increasing its exposure to interest rate increases because some of its indebtedness bears a floating rate of interest;

- limiting, among other things, its ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- negatively impacting the financial measures used by rating agencies, such as Moody's, S&P and Fitch, to assess the TIM Group's ability to repay its debt and determine its credit quality. Although rating downgrades do not generally have an immediate impact on outstanding debt, other than outstanding debt instruments for which the interest expense is specifically impacted by such ratings, downgrades could adversely impact the TIM Group's ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

Any of these or other consequences or events could have a material adverse effect on the TIM Group's business, financial condition, results of operations, prospects and ability to satisfy its debt obligations, including the Original Notes (not tendered or accepted in the Exchange Offers) and the New Notes.

For further information regarding the TIM Group's substantial leverage and for more information about its indebtedness that will remain outstanding if the Transactions are not consummated and following the consummation of the Transactions, see "*Capitalization of the TIM Group*" and "*Description of Certain Other Financing Arrangements of the TIM Group*."

[REDACTED]

The timely completion of the Transactions and, upon the successful completion of the Transactions, NetCo's business, financial condition and results of operations may be adversely affected if NetCo and the TIM Group are unable to obtain required third-party consents from, or approval of, third parties, including companies controlled by governmental entities, for certain contracts and/or other assets.

The Transaction Agreement provides that certain contracts and other assets, rights and liabilities are to be transferred from the TIM Group to NetCo in connection with the Acquisition. The transfer of certain of these contracts and other assets, rights and liabilities may require consents or approvals of third parties or provide other rights to third parties. Some parties may use consent requirements or other rights to terminate contracts or obtain more favorable contractual terms from NetCo, which, for example, could take the form of price increases for services or assets that NetCo requires, forcing NetCo to either expend additional resources in order to obtain the services or assets previously provided under the contracts or to make arrangements with new third parties. If NetCo does not obtain required consents or approvals, it may be unable to obtain all benefits, assets and contractual commitments that are intended to be allocated to it under the Transaction Agreement. Although contractual remedies vis-à-vis the TIM Group may be available under the Transaction Agreement, NetCo could still be required to seek alternative arrangements to obtain services and assets which may not come on a timely basis, be more costly and/or of lower quality.

The termination, modification, replacement or replication of these contracts or permits or the failure to timely complete the transfer or assignment of these contracts could have a material adverse effect on NetCo's business, financial condition, results of operations and cash flows.

Each of the TIM Group and NetCo may experience disruptions as a result of the Acquisition that make it difficult for them to retain executives and other employees.

Uncertainty about the consummation and effect of the Acquisition on each of the TIM Group's and NetCo's business and operations may impair their ability to attract, retain and motivate personnel until the Transactions are completed. Employee retention may be particularly challenging during the pendency of the Transactions, as employees may feel uncertain about their future roles within the company. If the TIM Group's and/or NetCo's employees depart because of issues relating to the uncertainty relating to the Transactions or a desire not to continue to be TIM Group or NetCo's employees following completion of the Transactions, this could have a material adverse effect on the TIM Group's and NetCo's business and results of operations.

For further information as to the risks relating to the TIM Group's business after the Transactions complete, please see "*Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry*" and "*Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry*."

TIM will incur certain transaction-related costs in connection with the Transactions.

TIM expects to incur certain non-recurring transaction-related costs associated with the Transactions. These costs include, for example, fees paid to legal, financial and accounting advisors, filing fees, printing costs and potential tax costs related to the Transactions. Many of these costs will be incurred whether or not the Acquisition is consummated. Additional unanticipated costs may also be incurred in connection with or as a result of the consummation of the Transactions.

Risks Relating to the Exchange Offers

[REDACTED]

Risks Relating to the New Notes and the Optics Notes

[REDACTED]

Risks Relating to the New Notes

[REDACTED]

Risks Relating to the Optics Notes

[REDACTED]

USE OF PROCEEDS

[REDACTED]

CAPITALIZATION OF THE TIM GROUP

The following table provides the cash and cash equivalents, the financial liabilities of the TIM Group in accordance with IFRS as of December 31, 2023 and the Capitalization of the TIM Group:

- On an actual basis;
- On an as adjusted basis to give effect to the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), the consummation of the Acquisition, the Acquisition Exchange and the issuance of the Optics Notes.

Noteholders should read the below table together with “*Use of Proceeds*,” “*Description of Certain Other Financing Arrangements of the TIM Group*” and the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Certain amounts set forth below are based on an exchange rate as of December 31, 2023, of €1 = BRL 5.34964.

	As of December 31, 2023	
	Historical	As Adjusted⁽²⁾
		(unaudited)
(€m)		
Cash and cash equivalents⁽¹⁾	2,912	10,872
Current financial liabilities (short-term debt)	6,609	6,839
Finance liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-
Non-current financial liabilities (long-term debt):		
Bonds.....	15,297	10,285
Amounts due to banks, other financial payables and liabilities.....	5,987	4,321
Non-current financial liabilities for lease contracts.....	4,743	2,993
Total Non-current financial liabilities (a)	26,027	17,600
Equity:		
Share capital.....	11,620	11,620
Additional Paid-in capital	575	575
Other reserves, retained earnings, including profit (loss) for the period	1,451	1,248
Equity attributable to owners of the Parent	13,646	13,443
Non-controlling interests	3,867	1,644
Total equity (b)	17,513	15,087
Total Capitalization (a+b)	43,540	32,687

(1) The As Adjusted Cash and Cash equivalents reflects the assumed cash in from the Acquisition, but excludes payment by the TIM Group of any early bird premium or participation premium of, in each case, 25 basis points per \$1,000 or €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange. For the purposes of calculating the cash-in from the Acquisition, which depends, among other factors, on the results of the Exchange Offers as the amount of debt transferred from TIM to Optics will reduce the cash component of the Purchase Price, the management assumed that the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023). This measure does not reflect the drawdown under the TIM Term Facility Agreement of an amount equal to €1.5 billion on April 10, 2024. If the Initial Exchange is subscribed below the Total Cap, or if no or fewer New Notes are issued pursuant to the Initial Exchange, the cash purchase price of the Acquisition will increase commensurately. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement, the date on which the Acquisition is consummated, ongoing operations of the TIM Group and the other matters set forth in this footnote. The As Adjusted Cash and Cash equivalents do not reflect any adjustments in respect of the order of seizure issued on February 2, 2024 by the preliminary investigation judge (*Giudice per le indagini preliminari*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. See “*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Legislative and Legal Framework—The TIM Group is exposed to risks in connection with fraud.*”

- (2) Reflects the Exchange Offers with the Acquisition and the Acquisition Exchange. As adjusted amounts do not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

CAPITALIZATION OF NETCO AND OPTICS

The following table provides the cash and cash equivalents, the financial liabilities of the Optics Group in accordance with IFRS as of December 31, 2023 and the Capitalization of the Optics Group:

- On an actual carve-out basis for NetCo; and
- On a pro forma as adjusted basis of Optics to give effect to the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), the consummation of the Acquisition, the Acquisition Exchange and the issuance of the Optics Notes and the incurrence of other committed financing of Optics in connection with the Acquisition and the equity contributed to Optics.

The presentation below is for illustrative purposes only based on the assumptions set forth above and is not intended to be an indication of the expected results of the Transactions. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including but not limited to the principal amount of Original Notes tendered in the Exchange Offers, the Acquisition Closing Date, the actual amount of consideration payable by Optics upon such date and fees, costs and expenses payable by Optics in connection with the Transactions. Any additional amounts required by Optics to fund the actual amounts required for the Transactions may be funded by equity, debt and/or other liquidity available to Optics. There is no assurance that the Exchange Offers will be subscribed for in the assumed amount. Completion of the Exchange Offers is conditioned upon the completion of the Acquisition.

Noteholders should read the below table together with “*Use of Proceeds*,” “*Description of Certain Other Financing Arrangements of the Optics Group*” and the NetCo Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

The table below does not account for Current and Non-current financial liabilities from lease contracts (net of lease receivables), amounting to €2,147 million.

	As of December 31, 2023	
	Historical NetCo	As Adjusted Optics ^{(1)(*)}
		(unaudited)
(€m)		
Cash and cash equivalents	152	152⁽²⁾
Non-current financial liabilities (long-term debt):		
Optics Notes ⁽³⁾	-	5,000
Bank Loans.....	-	3,500
Amounts due to banks, other financial payables and liabilities.....	3,571	-
Total Non-current financial liabilities (a)	3,571	8,500
Total invested capital/equity (b)⁽⁴⁾	5,356	10,452
Total Capitalization (a+b)	8,927	18,952

(*) The data presented in the “As Adjusted” column under “*Capitalization of NetCo and Optics*”, have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition. For more information, see “*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*.”

(1) Reflects the Exchange Offers, Acquisition and the Acquisition Exchange.

(2) Cash and cash equivalents *As Adjusted for the Transactions* represents the cash and cash equivalents of the Optics Group after giving *pro forma* effect to the Transactions. This measure reflects the cash at NetCo of €152 million. Cash and cash equivalents *As Adjusted* does not

account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023. In addition, Cash and cash equivalents *As Adjusted* does not take into account the payment of any transaction costs associated with the Transactions by Optics. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement.

- (3) In connection with the Acquisition Exchange, assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023).
- (4) Total As adjusted Optics invested capital/equity is calculated as the Purchase Price (which does not include deferred consideration), plus cash and cash equivalents, less Total Non-current financial liabilities and is not adjusted for €305 million of employment benefits expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TIM GROUP

The following discussion and analysis is intended to assist in providing an understanding of the TIM Group's financial condition, changes in financial condition and results of operations and should be read in conjunction with (i) in the case of financial information as of and for the years ended December 31, 2023 and December 31, 2022, the 2023 TIM Audited Consolidated Financial Statements and (ii) in the case of financial information as of and for the year ended December 31, 2021, the 2022 TIM Audited Consolidated Financial Statements, in each case prepared in accordance with IFRS. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.

Unless the context otherwise requires, when used in this section, the term "TIM Group" refer to the business constituting the TIM Group as of the date of this Exchange Offer Memorandum even though it may not have owned such business for the entire duration of the periods presented and without giving effect to the Transactions.

In addition to the conventional financial performance measures established by the IFRS, the TIM Group uses certain alternative performance measures to provide a measure of operating results excluding certain items that it believes are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the TIM Group's operating results and cash flow generation to be more easily observable. The TIM Group uses the non-IFRS measures internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating within the TIM Group's industry, and thus are a basis for comparability between the TIM Group and its peers. Such non-IFRS measures are not necessarily comparable to similarly titled measures of other companies. Furthermore, non-IFRS measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, data prepared in accordance with IFRS. See "Presentation of Financial and Other Information" included elsewhere in this Exchange Offer Memorandum for further details regarding the non-IFRS measures presented in this section.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the TIM Audited Consolidated Financial Statements. The TIM Audited Consolidated Financial Statements have been prepared on a going concern basis and in accordance with IFRS, as well as laws and regulations in force in Italy.

For details regarding basis of presentation and the TIM Group's critical accounting policies, judgments and estimates, see Note 2 to each of the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements.

Exchange Rate Information

Certain financial information contained herein has been translated from Brazilian Real ("**BRL**") into Euro solely for your convenience. The TIM Group does not make any representation that any amount translated herein has been, or could be, converted into Euro at the rates indicated or any other rate. The average exchange rate used for the translation of BRL into Euro (expressed in terms of units of BRL per 1 Euro) herein is 5.40158 for the year ended December 31, 2023, 5.43993 for the year ended December 31, 2022 and 6.35936 for the year ended December 31, 2021.

Operating Segments

The TIM Group operates its business through three business units: the Domestic Business Unit, the Brazil Business Unit and Other Operations. For further information, please refer to Notes 1 and 39 to the 2023 TIM Audited Consolidated Financial Statements, Notes 1 and 39 to the 2022 TIM Audited Consolidated Financial Statements and Notes 1 and 39 to the 2021 TIM Audited Consolidated Financial Statements for further details on each segment.

The TIM Group Business Units described below are presented in line with the 2023 TIM Audited Consolidated Financial Statements.

Domestic Business Unit

The Domestic Business Unit includes the TIM Group's activities in Italy relating to voice and data services on fixed-line and mobile networks for retail customers and other wholesale operators, activities in the European, Mediterranean and South American markets relating to providing international voice, data and Internet services for fixed-line and mobile telecommunications operators, ISPs/ASPs (in the wholesale market) and to multinational companies through the networks available to the TIM Group, developing fiber optic networks for wholesale customers, supplying passive access services on the secondary copper and fiber network, providing cloud and edge computing solutions, providing information technology products and services as well as providing other support services for the Domestic Business Unit.

As of and for the years ended December 31, 2022 and 2021, the Domestic Business Unit operated through the following five segments:

- *Consumer:* The Consumer segment is engaged in providing voice and Internet services and products for both fixed-line and mobile markets to individual customers as well as managing customers through stores.
- *Business:* The Business segment is engaged in providing, managing and developing voice, data, and Internet services and products and other ICT solutions for primarily small and medium-size enterprises, SOHOs, the Italian public sector and other large accounts as well as enterprises in the fixed-line and mobile telecommunications markets.
- *Wholesale National Market:* The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNO.
- *Wholesale International Market:* The Wholesale International Market segment is engaged in providing voice, data and Internet services for fixed-line and mobile telecommunications operators, ISPs, ASPs in the wholesale market and to multinational companies through its own networks in the European, Mediterranean and South American market.
- *Other:* The Other segment is engaged in providing miscellaneous services, including technological innovation, engineering, construction and operating processes for network infrastructures, information technology services and infrastructure and network maintenance services. This segment also includes corporate support activities for the TIM Group.

As of and for the year ended December 31, 2023, revenues generated by the TIM Group's Domestic Business Unit have been presented as follows:

- *Consumer and Small Medium Business (SMB):* The Consumer and Small Medium Business (SMB) segment comprises all fixed and mobile voice and Internet services and products for non-business customers (including public telephony, caring activities and administrative management of customers), SME customers, and SOHO customers. This segment also includes the TIM Retail company, which coordinates the activities of the stores.
- *Enterprise:* The Enterprise segment consists of ICT solutions and connectivity products and services managed and developed for top customers, public sector customers and large accounts. The Enterprise segment includes the following entities: Olivetti, TI Trust Technologies, Telsy and Noovle.
- *Wholesale National Market:* The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNO. The Wholesale National Market includes the following entities: TI San Marino and Telefonía Mobile Sammarinese.
- *Wholesale International Market:* The Wholesale International Market segment includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services

for fixed and mobile telecommunications operators, ISPs/ASPs (in the wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

- *Other:* The Other segment includes:
 - *Other Operations:* Other Operations includes technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties and all services of FiberCop; and
 - *Staff & Other:* Staff & Other includes services provided by the staff departments and other support activities.

Brazil Business Unit

The Brazil Business Unit is engaged in providing mobile services using universal mobile telecommunications system, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching, as well as residential broadband services.

Other Operations

The Other Operating Business Unit includes ancillary operations of the TIM Group, including financial operations.

Delayering Plan

The TIM Group is in the process of delayering its business segments. The delayering under the 2022-2024 Industrial Plan was initially approved in 2022, and on February 14, 2023 and March 6, 2024, the Board approved the continuation of the Delayering Plan under the 2023-2025 Industrial Plan and 2024-2026 Industrial Plan, respectively. The process for setting up the legal entities to give effect to the delayering was set into motion in November 2022. Following the completion of the Transactions and the Delayering Plan, it is expected that the TIM Group will operate its business through the following three business areas:

- **TIM Enterprise:** The TIM Enterprise segment will comprise the TIM Group's commercial activities in the enterprise market, and will include, among other things, cloud computing, IoT and cybersecurity services. It will also include the TIM Group's data center assets.
- **TIM Consumer:** The TIM Consumer business segment will include the TIM Group's retail business which caters to consumers and small and medium business customers in both fixed-line and mobile markets. It will also include the mobile network assets and service platforms.
- **TIM Brasil:** The existing Brazil Business Unit will be reclassified as the TIM Brasil segment.

For more details of the Delayering Plan, please see "*Summary—The TIM Group's Strategy.*"

As part of the Delayering Plan, the resulting business areas are expected to be TIM Enterprise, TIM Consumer and TIM Brasil, which the TIM Group believes will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. The post delayering business areas described herein are not considered. The TIM Group is currently planning the reorganization of its structure through a revised business segmentation, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. During 2024, once the Transactions are completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8. This will take into account the specific guidance provided by the standard itself (autonomy of operating flows, method of allocating financial resources, management reporting, etc.).

Key Factors Affecting the TIM Group's Results of Operations and their Comparability

The TIM Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors, among others, affecting the ordinary course of the TIM Group's business and its results of operations are discussed below.

Acquisitions and Integration of Businesses, Disposals and Strategic Initiatives

The TIM Group has from time to time made significant direct and indirect equity investments in, and divestments of, several telecommunications businesses and ancillary service providers in various jurisdictions. Due to the significant nature of certain of these acquisitions and disposals, the comparability of the TIM Group's results of operations based on the TIM Audited Consolidated Financial Statements may be affected. For example, on April 4, 2022, the TIM Group completed the acquisition of Oi's mobile business in Brazil, which affects the comparability of financial information for its Brazil Business Unit as of and for the year ended December 31, 2022 and as of and for the year ended December 31, 2021. See "*—Discussion and Analysis of The TIM Group's Results of Operations—Year Ended December 31, 2022 compared to the Year Ended December 31, 2021.*" In addition, the TIM Group generally record goodwill relating to acquisitions. As of December 31, 2023, the goodwill recorded on the TIM Group's consolidated statement of financial position amounted to €19,170 million, compared to €19,111 million as of December 31, 2022, and €18,568 million as of December 31, 2021. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit. As of December 31, 2021, the TIM Group's goodwill impairment loss amounted to €4.12 billion. As of December 31, 2023, the TIM Group assessed for impairment its CGUs. Since their recoverable amounts were higher than the respective carrying amounts, TIM Group did not record any impairment loss.

Only after the consummation of the Acquisition will an analysis be carried out in accordance with the applicable IFRSs (specifically IAS 36) to determine the amount of goodwill that will be attributed by the TIM Group to NetCo.

Macroeconomic and Geopolitical Developments

The TIM Group's operations are subject to macroeconomic and geopolitical risks that are outside of the TIM Group's control. For example, high levels of inflation or sovereign debt, combined with weak growth and high unemployment, could affect the spending capacity of the TIM Group's consumer and business customers leading to weaker demand, customers being less willing to pay for premium services and an increase in the risk of bad debts, leading to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, heightened levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact the TIM Group's financial condition. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to Macroeconomic Conditions Affecting the TIM Group.*"

For example, the TIM Group's results of operations in the periods under review have been affected by adverse economic conditions in its core Italian market as well as in Brazil, including as a result of inflationary pressures and increases in interest rates, which have had a negative effect on consumer confidence and the demand for the TIM Group's products and services in these markets.

Competition and Pricing

In each of the jurisdictions in which the TIM Group operates, the TIM Group faces significant competition and competitive pressures, including, increasingly, from providers of alternative new technologies or improvements in existing technologies, against a backdrop of otherwise challenging market conditions. These factors have resulted in significant pricing pressures in the telecommunications sector, which have impacted the TIM Group's results of operations in the periods under review. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry,*" "*Business of the TIM Group*" and "*The TIM Group Industry Overview.*" Given the competitive dynamics and the prevalent macroeconomic environments in the markets in which the TIM Group operates, during the periods under review, the TIM Group has introduced pricing mechanisms for adjusting its product and service offerings to account for increased costs, primarily associated with heightened inflation, in order to reduce pressure on cash costs. Certain of the TIM Group's competitors may not pursue price-based competition, which could contribute to a loss of its market share and further increase pricing pressure in its retail business. The telecommunications market is also experiencing consolidation and globalization, which may further intensify

competition and affect the TIM Group's results of operations. For a description of the competitive landscape in the key geographies in which the TIM Group operates, please see "*The TIM Group Industry Overview*."

Mobile Network Upgrades

The TIM Group's ability to provide new or enhanced telecommunications services and to grow its subscriber base depends in part on its ability to upgrade its mobile network infrastructure, which is capital intensive. The TIM Group's has invested heavily in building its market leading, next-generation mobile network infrastructure over time and remain committed to further developing and future-proofing its network by investing in the latest network technologies. Among other things, the TIM Group plans to continue to update and expand its mobile network, with a particular focus on its 5G network expansion in Italy which is supported by the valuable spectrum rights that the TIM Group acquired over time. The TIM Group believes that its investment plans position it to meet customer demand for high-speed services, as well as to provide the critical high-capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services.

During the periods under review, the TIM Group has incurred significant capital expenditures in order to upgrade its mobile networks and to obtain necessary licenses and spectrum rights. See "*Capital Expenditures and Expenses for Mobile Telephone Licenses/Spectrum*" below.

Cyber Attack

Cyber risk represents one of the major risks for the TIM Group as it could generate impacts on the business in terms of access to sensitive information and blockage/slowdown in the provision of services. The TIM Group has structured a risk management process from a preventive and reactive perspective, with assessment of the impact levels and prioritization of mitigation actions in a risk-based approach. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's businesses are subject to cybersecurity risks*" below.

Debt Service Obligations

The TIM Group's outstanding debt and debt service requirements and may incur additional debt in the future. See "*Liquidity and Capital Resources*" below and "*Risk Factors—Risks Relating to the TIM Group's Indebtedness*" and "*Description of Certain Other Financing Arrangements of the TIM Group*" included elsewhere in this Exchange Offer Memorandum. The TIM Group's significant level of debt places it at a competitive disadvantage relative to competitors with lower leverage and could have important consequences, including, but not limited to, restricting its ability to exploiting other business opportunities and increase its vulnerability to, and reduce its flexibility to respond to, adverse general economic or industry conditions. See "*Risk Factors—Risks Relating to the TIM Group's Indebtedness—If the Acquisition is not consummated, the substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may jeopardize the fulfillment of its obligations, including its payment obligations under the Original Notes (not tendered or accepted in the Exchange Offer) and the New Notes.*"

Fluctuations in Currency Exchange Rates and Interest Rates

The TIM Group's reporting currency is Euro but a significant portion of its revenue and expenses are currently earned or incurred in other currencies (primarily BRL). The TIM Group is therefore exposed to foreign currency exchange risk. As a result, its reported results of operations can deviate from the results of its businesses on a local currency basis. The exchange rate the Euro and other currencies in the markets in which the TIM Group operates has been volatile in the past and may continue to be volatile in the future. Although the TIM Group attempts to mitigate currency risk to an extent through hedging, sharp changes in the exchange rate could have a material effect on the TIM Group's results of operations.

The TIM Group's borrowings are denominated primarily in Euro, U.S. dollars and BRL, but the TIM Group does not necessarily match the cash flows generated from its operations. In addition, a portion of its borrowings bear a floating rate of interest. While the TIM Group hedges the risk of certain currency and interest rate fluctuations in respect of a portion of its existing debt, these arrangements may not insulate it completely from such exposure. See "*Risk Factors—Risk Factors Related to the TIM Group—Risks Related to Macroeconomic Conditions Affecting the TIM Group—*

Fluctuations in currency exchange and interest rates and the performance of the equity markets in general may adversely affect the TIM Group's results."

TIM Group Operational Data

The TIM Group uses several key operating measures to evaluate the performance of its business. Such operating measures are not measures of financial performance under IFRS, nor have such measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the TIM Group's internal operating and financial systems. As defined by the TIM Group's management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The tables below set forth the TIM Group's key operating measures by business unit and relevant segments as of the years ended December 31, 2023, 2022 and 2021:

Domestic Business Unit: Fixed

	For the year ended December 31,		
	2023	2022	2021
Total retail accesses (thousands)	7,975	8,290	8,647
of which NGN ⁽¹⁾	5,580	5,417	5,186
Total wholesale accesses (thousands)	7,247	7,525	7,729
of which NGN.....	5,280	5,171	4,819
Active Broadband accesses retail (thousands)	7,196	7,443	7,733
Consumer ARPU (€/month) ⁽²⁾	28.1	28.3	30.1
BroadBand ARPU (€/month) ⁽³⁾	38.1	35.6	33.4

(1) Ultra broadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).

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

(3) Revenues from organic BroadBand services in proportion to the average active TIM retail BroadBand accesses.

Domestic Business Unit: Mobile

	For the year ended December 31,		
	2023	2022	2021
Lines at period end (thousands)	30,128	30,407	30,466
of which Human.....	18,071	18,438	19,054
Churn rate (%) ⁽¹⁾	12.8	13.3	14.7
BroadBand users (thousands) ⁽²⁾	12,592	12,577	12,783
Retail ARPU (€/month) ⁽³⁾	6.9	7.1	7.5
Human ARPU (€/month) ⁽⁴⁾	11.4	11.5	11.7

(1) Percentage of total lines that ceased in the period compared to the average number of total lines.

(2) Mobile lines using data services.

(3) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(4) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Brazil Business Unit

	For the year ended December 31,		
	2023	2022	2021
Lines at period end (thousands) ⁽¹⁾	61,248	62,485	52,066
Mobile ARPU ⁽²⁾ (BRL).....	29.5	26.1	26.4

(1) Includes corporate lines.

(2) Includes blended ARPU (pre-paid and post-paid).

Non-Recurring Events

In the years ended December 31, 2023, 2022 and 2021, The TIM Group recognized non-recurring net operating expenses connected to events and transactions that by their nature do not occur on an ongoing basis in the normal course of operations and which have been presented because their amount is significant. Non-recurring charges include, among others, any goodwill impairment changes, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization and restructuring and prior-year adjustments.

Key Income Statement Items

Revenue

Revenue consists of income generated from the equipment sales and delivery of voice and data services on fixed and mobile networks for retail and wholesale customers across the TIM Group's Domestic Business Unit, Brazil Business Unit and Other Operations Unit, including adjustments and eliminations. See "*Operating Segments*."

Other Income

Other income mainly consists of late payment fees charged for telephone services, recovery of employee benefit expenses, purchases and services rendered, capital and operating grants, damages, penalties and recoveries connected with litigation, estimate revisions and other adjustments, income for special training activities and other income.

Acquisition of Goods and Services

Acquisition and goods services are associated with costs related to the acquisition of goods, revenues due to the other TLC operators and interconnection costs, commercial and advertising costs, professional and consulting services, power, maintenance and outsourced services, lease and rental costs and other similar costs.

Employee Benefit Expenses

Employee benefits and expenses consists of the ordinary employee expenses and costs and restructuring and other expenses.

Other Operating Expenses

Other operating expenses mainly consists of the following subcategories: (i) write-downs and expenses in connection with credit management (ii) provision charges (iii) TLC operating fees and charges (iv) indirect duties and taxes (v) penalties, settlement compensation and administrative fines (vi) subscription dues and fees; donations, scholarships and traineeships and (vii) sundry expenses.

Internally Generated Assets

Internally generated assets primarily refer to the capitalization of costs relating to network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)

EBITDA includes operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets.

EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The TIM Group believes that this measure is useful to readers of the TIM Audited Consolidated Financial Statements as it provides them with a measure of the operating results which excludes certain items the TIM Group considers outside of its recurring operating activities or that are non-cash, making trends more easily observable

and providing information regarding its operating results that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect the operating results, which is also presented within the TIM Audited Consolidated Financial Statements in accordance with IAS 1 (Presentation of Financial Statements).

Depreciation and Amortization

Depreciation and amortization includes amortization of intangible assets with a finite useful life, depreciation of tangible assets and amortization of rights of use assets.

Impairment reversals (losses) on non-current assets

Impairment reversals (losses) on non-current assets contains impairment reversal and losses on non-current intangible and tangible assets. In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on an annual basis.

Operating profit (loss) (EBIT)

Operating profit (loss) EBIT is calculated to include impairment losses (reversals) on non-current assets, losses (gains) on disposals of non-current assets and depreciation and amortization.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method reflects the effect of applying the equity method to measure investments in associates and joint ventures.

Other income (expenses) from investments

Other income (expenses) from investments includes dividends from other investments, net gains on the sale of investments in associates and joint ventures accounted for using the equity method, and sundry income and expenses.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include interest income, income from financial receivables recorded in non-current assets, income from securities other than investments, recorded in non-current assets, income from securities other than investments recorded in current assets, miscellaneous finance income, interest expenses and other costs related to bonds, interest expenses to banks, interest expenses to others, finance expenses on lease liabilities, commissions and other finance expenses.

Income tax expense

Income tax expense includes all taxes calculated on the basis of taxable income.

Profit (Loss) for the period

Profit (Loss) for the period includes profit (loss) for the year from continuing operations and discontinued operations/non-current assets held for sale.

Discussion and Analysis of the TIM Group's Results of Operations for the year ended December 31, 2023 compared to the year ended December 31, 2022

The below table sets forth the TIM Group's separate consolidated income statement for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Separate Consolidated Income Statement (€m)	For the year ended December 31,	
	2023	2022
Revenues	16,296	15,788
Other Income	206	213
Total operating revenues and other income	16,502	16,001
Acquisition of goods and services	(7,518)	(7,239)
Employee benefits expenses	(2,987)	(3,180)
Other operating expenses	(872)	(816)
Change in inventories	47	22
Internally generated assets	538	559
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,710	5,347
Depreciation and amortization	(4,863)	(4,777)
Gains (losses) on disposals of non-current assets	(11)	36
Impairment reversals (losses) on non-current assets	—	—
Operating profit (loss) EBIT	836	606
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(29)	23
Other income (expenses) from investments	53	206
Finance income	1,095	1,115
Finance expenses	(2,835)	(2,538)
Profit (loss) before tax continuing operations	(880)	(588)
Income tax expense	(227)	(2,066)
Profit (loss) from continuing operations	(1,107)	(2,654)
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-
Profit/(loss) for the period	(1,107)	(2,654)
Attributable to:		
Owners of the Parent	(1,441)	(2,925)
Non—controlling interests	334	271

Non-Recurring Events

The TIM Group's results of operations as of and for the year ended December 31, 2023 were significantly impacted by non-recurring net operating expenses during the course of 2023 connected to events and transactions that by their nature do not occur on an ongoing basis in the normal course of operations and which have been presented because their amount is significant.

Specifically, non-recurring events for the year ended December 31, 2023, included the following:

- €484 million in employee benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the Corporate Reorganization and Restructuring Process;
- €44 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil;
- €134 million of other operating expenses primarily as provisions for disputes, settlements, regulatory sanctions and potential liabilities related to them; and
- €11 million in income for recovery of operating expenses.

Revenue

For the year ended December 31, 2023, the TIM Group generated total revenue of €16,296 million, a 3.2% increase compared to €15,788 million for the year ended December 31, 2022. This increase in total revenue was principally due to an increase in revenue generated by the Brazil Business Unit.

The following table sets forth the TIM Group's revenue by business unit for the year ended December 31, 2023 and 2022, respectively:

(€m)	For the year ended December 31,	
	2023	2022
Domestic.....	11,922	11,858
Brazil	4,412	3,963
Other Operations.....	—	—
Adjustments and eliminations	(38)	(33)
Consolidated Total	16,296	15,788

Domestic Business Unit

Revenue generated by the TIM Group's Domestic Business Unit for the year ended December 31, 2023, amounted to €11,922 million a 0.5% increase compared to €11,858 million for the year ended December 31, 2022.

The table below breaks down the TIM Group's Domestic Business Unit revenue by operating segment for the year ended December 31, 2023 and 2022, respectively:

(€m)	For the year ended December 31,	
	2023	2022
Consumer and Small Medium Business (SMB).....	5,629	5,913
Enterprise	3,088	2,968
Wholesale National Market	2,014	1,948
Wholesale International Market.....	1,021	992
Other	170	35
Consolidated Total	11,922	11,858

Consumer and Small Medium Business (SMB): Revenue from the TIM Group's Consumer and Small Medium Business (SMB) segment for the year ended December 31, 2023 amounted to €5,629 million, a 4.8% decrease compared to €5,913 million for the year ended December 31, 2022.

Mobile services revenue for the year ended December 31, 2023 totaled, in organic terms, €2,169 million, a €88 million or 3.9% decrease compared to the year ended December 31, 2022. The impact of the competitive dynamic remained the same for the year ended December 31, 2023 compared to the year ended December 31, 2022, albeit with a lesser reduction of the customer base calling. However, revenue from traffic for the year ended December 31, 2023 decreased compared to the year ended December 31, 2022, mainly due to the progressive reduction of interconnection tariffs.

Fixed services revenue for the year ended December 31, 2023 totaled, in organic terms, €2,972 million, a €152 million or 4.9% decrease compared to the year ended December 31, 2023. This decrease is due to the reduction in the TIM Group's customer base and ARPU levels.

Handset and Bundle & Handset revenue totaled €506 million for the year ended December 31, 2023, a €52 million decrease compared to the year ended December 31, 2022. This decrease was mainly due the progressive slowdown of the mobile terminal market.

Enterprise: Revenue generated by the Enterprise segment for the year ended December 31, 2023 amounted to €3,088 million, a 4.1% increase compared to €2,968 million for the year ended December 31, 2022. In particular:

Mobile service revenue for the year ended December 31, 2023 slightly increased (an increase of €4 million) compared to the mobile service revenues for the year ended December 31, 2022. Fixed service revenues for the year ended December 31, 2023 increased by €129 million or 5.8% increase compared to the year ended December 31, 2022, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: The Wholesale National Market segment generated revenue in an amount of €2,014 million for the year ended December 31, 2023, a 3.4% increase compared to €1,948 million for the year ended December 31, 2022. This increase is mainly due to the positive impact of the regulatory price dynamics.

Wholesale International Market: Revenue generated by the Wholesale International Market segment for the year ended December 31, 2023 amounted to €1,021 million, a 2.9% increase compared to €29 million for the year ended December 31, 2022, mainly due to the sales revenues for spectrum/fiber and the growth of revenues related to mobile operator solutions, which is complemented by a strategy for rationalizing voice revenues.

Brazil Business Unit

The Brazil Business Unit generated revenue of €4,412 million (BRL 23,834 million) for the year ended December 31, 2023, a 16.4% increase compared to €3,963 million (BRL 21,531 million) for the year ended December 31, 2022.

This was primarily driven by an increase in service revenue of 10.8%, from BRL 20,829 million for the year ended December 31, 2022 to BRL 23,071 million for the year ended December 31, 2023. Mobile services revenue for the year ended December 31, 2023 increased by 11.2% compared to the year ended December 31, 2022. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Fixed services revenue for the year ended December 31, 2023 increased by 4.6% compared to the year ended December 31, 2022. This increase is mainly driven by the expansion of TIM UltraFibra. Product sales revenue increased from BRL 702 million for the year ended December 31, 2022 to BRL 763 million for the year ended December 31, 2023.

Other Income

For the year ended December 31, 2023, other income decreased to €206 million from €213 million for the year ended December 31, 2022. This decrease was primarily due to the decrease in the estimate revisions and other adjustments of €17 million.

Acquisition of Goods and Services

For the year ended December 31, 2023, acquisition of goods and services amounted to €7,518 million, compared to €7,239 million for the year ended December 31, 2022. This is comprised of increased in the TIM Group's Brazil Business Unit of €125 million (including an exchange gain of €9 million) and in the Domestic Business Unit of €165 million, in each case compared to the year ended December 31, 2022.

Employee Benefits Expenses

For the year ended December 31, 2023, the employee benefits expenses amounted to €2,987 million compared to €3,180 million for the year ended December 31, 2022. The decrease of €193 million was mainly driven by reductions in ordinary employee expenses, mainly due to the savings associated with the reduction in the average salaried employees.

Other Operating Expenses

For the year ended December 31, 2023, other operating expenses increased to €872 million, from €816 million for the year ended December 31, 2022. This increase was mainly attributable to an increase in other charges which was mainly related to regulatory sanctions.

The non-recurring items for the year ended December 31, 2023 amounted to €134 million, mainly due to provisions for regulatory sanctions and onerous contracts.

Internally Generated Assets

For the year ended December 31, 2023, internally generated assets decreased to €538 million, from €559 million for the year ended December 31, 2022, primarily due to increased capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

EBITDA

For the year ended December 31, 2023, the TIM Group's EBITDA amounted to €5,710 million, a 6.8% increase compared to €5,347 million for the year ended December 31, 2022. EBITDA for the year ended December 31, 2023 was impacted by non-recurring items in the amount of €673 million, whilst for the year ended December 31, 2022, the total impact of €682 million was primarily comprised non-recurring items, of which €484 million related to the application of Article 4 of Italian Law No. 92 of June 28, 2012 and €189 million for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37).

The table below sets forth the TIM Group's EBITDA by business unit for the year ended December 31, 2023 and the year ended December 31, 2022, respectively:

(€m)	For the year ended December 31,	
	2023	2022
Domestic	3,577	3,519
% of Revenues	30.0	29.7
Brazil	2,141	1,839
% of Revenues	48.5	46.4
Other Operations	(8)	(12)
Adjustments and eliminations	-	1
Consolidated Total	5,710	5,347

Domestic Business Unit

EBITDA generated by the TIM Group's Domestic Business Unit for the year ended December 31, 2023 amounted to €3,577 million, an increase of €58 million or 1.6% from the year ended December 31, 2022.

Brazil Business Unit

EBITDA attributable to the TIM Group's Brazil Business Unit for the year ended December 31, 2023 was €2,141 million, a 16.4% increase compared to €1,839 million for the year ended December 31, 2022.

Depreciation and Amortization

For the year ended December 31, 2023, depreciation and amortization amounted to €4,863 million, compared to €4,777 million for the year ended December 31, 2022. The increase of €86 million can be attributed for €59 million to the Brazil Business Unit and for €27 million to the Domestic Business Unit.

Operating profit (loss) (EBIT)

For the year ended December 31, 2023, Operating profit (loss) (EBIT) amounted to €836 million compared to €606 million for the year ended December 31, 2022.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method decreased to a loss of €29 million for the year ended December 31, 2023, from €23 million for the year ended December 31, 2022.

Other income (expenses) from investments

For the year ended December 31, 2023, other income (expenses) from investments amounted to €53 million compared to €206 million for the year ended December 31, 2022, mainly due to net capital gains on the disposal of equity investments in associates and joint ventures accounted for using the equity method.

Finance income and expenses

For the year ended December 31, 2023, finance income (expenses) reflected a net expense of €1,740 million, compared to €1,423 million for the year ended December 31, 2022. This increase is substantially attributable to the dynamics of interest rates and to the higher debt exposure.

Income tax expenses

For the year ended December 31, 2023, income tax expenses amounted to €227 million, compared to €2,066 million for the year ended December 31, 2022. The decrease was mainly due to a decrease in deferred tax.

Profit (loss) for the period

For the year ended December 31, 2023, loss for the period ended December 31, 2023 was €1,107 million compared to a loss of €2,654 million for the year ended December 31, 2022. The reasons for this decrease are disclosed in the foregoing sections.

Discussion and Analysis of the TIM Group's Results of Operations for the year ended December 31, 2022 compared to the year ended December 31, 2021

The below table sets forth the TIM Group's separate consolidated income statement for the year ended December 31, 2022 and December 31, 2021.

(€m)	For the year ended December 31,	
	2022	2021
Revenues	15,788	15,316
Other income.....	213	272
Total operating revenues and other income	16,001	15,588
Acquisition of goods and services.....	(7,239)	(6,550)
Employee benefits expenses	(3,180)	(2,941)
Other operating expenses	(816)	(1,502)
Change in inventories	22	10
Internally generated assets	559	475
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,347	5,080
<i>of which: impact of non-recurring items</i>	(682)	(1,143)
Depreciation and amortization	(4,777)	(4,490)
Gains (losses) on disposals of non-current assets.....	36	1
Impairment reversals (losses) on non-current assets	—	(4,120)
Operating profit (loss) (EBIT)	606	(3,529)
<i>of which: impact of non-recurring items</i>	(682)	(5,263)
Share of losses (profits) of associates and joint ventures accounted for using the equity method.....	23	38
Other income (expenses) from investments	206	126
Finance income	1,115	1,124
Finance expenses	(2,538)	(2,274)
Profit (loss) before tax from continuing operations	(588)	(4,515)
<i>of which: impact of non-recurring items</i>	(490)	(5,144)
Income tax expense.....	(2,066)	(3,885)
Profit (loss) from continuing operations	(2,654)	(8,400)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (Loss) for the year	(2,654)	(8,400)
<i>of which: impact of non-recurring items</i>	(2,437)	(8,653)
Attributable to:		
Owners of the Parent	(2,925)	(8,652)
<i>Non-controlling interests</i>	271	252

Non-Recurring Events

The TIM Group's results of operations as of and for the year ended December 31, 2022 and the year ended December 31, 2021 were significantly impacted by non-recurring net operating expenses connected to events and transactions that by their nature do not occur on an ongoing basis in the normal course of operations and which have been presented because their amount is significant.

Specifically, non-recurring events for the year ended December 31, 2022, included the following:

- €572 million in employee benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the Corporate Reorganization and Restructuring Process;
- €56 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil;
- €77 million of other operating expenses primarily as provisions for disputes, settlements, regulatory sanctions and potential liabilities related to them (including a €41 million provision for onerous contracts relating to a multi-year agreement entered into in the year ended December 31, 2021, which committed the TIM Group to minimum purchases, the total estimated cost of which, for the residual duration of the agreement, became apparent in the year ended December 31, 2022); and
- €23 million in income for recovery of operating expenses.

Net non-recurring events for the year ended December 31, 2021, included the following:

- €4,120 million for the impairment loss on Goodwill attributed to the Domestic Business Unit. The impairment test was performed by referring to the flows of the 2022-2024 Industrial Plan (as described in “*Summary—The TIM Group’s Strategy*”) and the projections up to 2026 of the domestic market in its current conditions and using a discount rate updated to the financial market conditions as of December 31, 2021. The 2022-2024 Industrial Plan is based on the results of the 2021 final accounting and reflects expectations on future developments and outlines all the actions to create value for the shareholders. The year showed an impairment loss, which is attributed entirely to goodwill;
- €735 million in other operating expenses, mainly comprising provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 pandemic (primarily provisions made as a to account for the worsening of expected credit losses of corporate customers as a result thereof). Other operating expenses – Sundry expenses and provisions included, among other items, €548 million for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to certain contracts for the offer of multimedia content connected with existing partnerships;
- €367 million in employee benefit expenses mainly connected with business reorganization and restructuring processes following the application of Article 4 of Italian Law No. 92 of June 28, 2012, and per the agreement entered into between certain TIM Group companies and certain trade union organizations on March 21, 2023;
- €50 million for expenses related to agreements and the development of non-recurring projects, as well as costs for purchases relating to supplies that became necessary for the management of the health emergency; and
- €8 million in net income for adjustments to revenues and the recovery of operating expenses.

Revenue

For the year ended December 31, 2022, the TIM Group generated total revenue of €15,788 million, a 3.1% increase compared to €15,316 million for the year ended December 31, 2021 driven by an increase in revenue generated by the Brazil Business Unit. Excluding revenues from the Oi Group mobile business, acquired in Brazil during 2022, consolidated revenues for the year ended December 31, 2022 would have amounted to €15,640 million.

The following table sets forth the TIM Group’s revenue by business unit for the years ended December 31, 2022 and December 31, 2021, respectively:

(€m)	For the year ended December 31,	
	2022	2021
Domestic	11,858	12,505
Brazil	3,963	2,840
Other Operations	—	—
Adjustments and eliminations	(33)	(29)

Consolidated Total	15,788	15,316

Domestic Business Unit

For the year ended December 31, 2022, revenue from the Domestic Business Unit amounted to €11,858 million, a decrease of €647 million or 5.2% compared to the year ended December 31, 2021.

For the year ended December 31, 2022, revenue from stand-alone services amounted to €10,799 million, a decrease of €384 million or 3.4% compared to the year ended December 31, 2021, primarily due to the impact of increasing competition on the TIM Group's customer base, as well as reduction in ARPU levels. See “—Key Factors Affecting the TIM Group's Results of Operations and Their Comparability—Competition and Pricing.” In organic terms, revenues from stand-alone services for the year ended December 31, 2022 decreased by €422 million or 3.8% compared to the year ended December 31, 2021.

More specifically, for the year ended December 31, 2022, revenue from stand-alone market services amounted to €8,276 million in organic terms, with a negative change of 3.8% compared to the year ended December 31, 2021, mainly due to the decrease in accesses and ARPU levels and the presence in 2021 of non-recurring transactions in the Wholesale segment, partly offset by the growth in revenues from ICT solutions which, for the year ended December 31, 2022, increased by €308 million or 22.7% compared to the year ended December 31, 2021.

Revenues from stand-alone Mobile services for the year ended December 31, 2022 decreased by €91 million or 2.9% to €3,060 million compared to the year ended December 31, 2021, mainly due to the reduction in the TIM Group's customer base connected with Human lines and ARPU levels.

For the year ended December 31, 2022, revenue for Handset and Bundle & Handset, including the change in work in progress, amounted in organic terms to €1,059 million, a decrease of €263 million compared to the year ended December 31, 2021, largely attributable to the performance of the fixed retail segment.

Revenue for the year ended December 31, 2022 include approximately €50 million relating to a portion of the commercial agreement signed in 2022 by TIM and FiberCop with Open Fiber, which required Open Fiber to purchase from FiberCop, in White Areas, the IRU for overhead infrastructure and access connections to customer homes.

The table below breaks down the Domestic Business Unit revenue by operating segment for the year ended December 31, 2022 and December 31, 2021, respectively:

(€m)	For the year ended December 31,	
	2022	2021
Consumer ^(*)	4,736	5,263
Business	4,144	4,117
Wholesale National Market ^(*)	1,948	2,107
Wholesale International Market	992	1,008
Other & Eliminations	38	10
Consolidated Total	11,858	12,505

(*) Data for Consumer and Wholesale National Market segments differ from those published in the 2021 Consolidated Financial Statements due to reclassifications to such segments caused by organizational changes in the year ended December 31, 2022. In particular, monthly revenue streams related to Mobile Virtual Network Operator (MVNOs) were reclassified from Consumer segment to National Wholesale Market segment.

Consumer: For the year ended December 31, 2022, revenue generated by the TIM Group's Consumer segment amounted to €4,736 million, a decrease of €527 million or 10.0% year on year, primarily due to the challenging competitive dynamics in the consumer market. Revenue from services, which amounted to €4,231 million for the year ended December 31, 2022, and which decreased by €339 million or 7.4% compared to the year ended December 31, 2021, were similarly affected.

Revenue from mobile services for the year ended December 31, 2022 amounted to €1,885 million, a decrease of €120 million or 6.0% compared to the year ended December 31, 2021, in large part due to the impact of the prevalent

competitive market dynamics. Although call volume reductions lessened, revenue from traffic decreased due to the progressive reduction of interconnection tariffs.

Revenue from fixed services amounted to €2,369 million for the year ended December 31, 2022, a decrease of €231 million or 8.9% compared to the year ended December 31, 2021, primarily due to lower ARPU levels and a smaller customer base, which in 2021 benefited from government incentive programs such as voucher recognition for ISEE incomes below €20,000, partially offset by growth in Ultrabroadband customers.

Revenue for Handsets and Bundles & Handsets in the Consumer segment for the year ended December 31, 2022 amounted to €505 million, a decrease of €188 million or 27.1% compared to the year ended December 31, 2021, mainly due to the end of the phase 1 voucher program, with a reduction of sales of PCs and tablets.

Business: Revenue generated by the Business segment for the year ended December 31, 2022 amounted to €4,144 million, an increase of €27 million or 0.6% compared to the year ended December 31, 2021. Total mobile revenues and revenues from stand-alone services for the year ended December 31, 2022 each remained stable compared to the year ended December 31, 2021. Total fixed revenue for the year ended December 31, 2022 increased by €27 million or 0.8% compared to the year ended December 31, 2021. Revenue from services grew by 3.4%, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: The Wholesale National Market segment revenue for the year ended December 31, 2022 reached €1,948 million, a decrease of €159 million or 7.6% compared to the year ended December 31, 2021. This decrease was mainly driven by non-recurring transactions in the year ended December 31, 2021.

Wholesale International Market: Wholesale International Market revenue for the year ended December 31, 2022 amounted to €992 million, a decrease of €16 million or 1.6% compared to the year ended December 31, 2021, mainly due to the decrease in one-off events, partially offset by a growth in recurring data revenues (with high margins) and flanked by the TIM Group's strategy to rationalize voice revenue.

Other & Eliminations: Other & Eliminations revenue for the year ended December 31, 2022 amounted to €38 million compared to €10 million the year ended December 31, 2021, a decrease of €28 million compared to the year ended December 31, 2021.

Brazil Business Unit

For the year ended December 31, 2022, the TIM Group's Brazil Business Unit generated revenue of €3,963 million, an increase of €1,123 million compared to €2,840 million for the year ended December 31, 2021. Excluding revenues from the mobile business of the Oi Group (Cozani, acquired on April 20, 2022), revenue for the year ended December 31, 2022 would have amounted to €3,816 million.

The increase has been primarily due to service revenues that for the year ended December 31, 2022 amounted to €3,828 million, an increase of 19% compared to €3,216 million for the year ended December 31, 2021, with mobile service revenues growing 19.8%. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenue from fixed services for the year ended December 31, 2022 grew by 7.6% compared to the year ended December 31, 2021, due in large part to the growth rate of TIM Live.

Revenue from product sales for the year ended December 31, 2022 amounted to €129 million compared to €88 million for the year ended December 31, 2021.

Other Income

For the year ended December 31, 2022, other income decreased to €213 million from €272 million for the year ended December 31, 2021. This decrease was primarily due to the decrease in special training income of €66 million which, in the year ended December 31, 2021, included repayments valued for the hours of training delivered during the year.

Acquisition of Goods and Services

For the year ended December 31, 2022, acquisition of goods and services amounted to €7,239 million, compared to €6,550 million for the year ended December 31, 2021. This is comprised of increases in the Brazil Business Unit of

€525 million (including an exchange gain of €175 million) and in the Domestic Business Unit of €163 million, in each case compared to the year ended December 31, 2021.

Employee Benefits Expenses

For the year ended December 31, 2022, the employee benefits expenses amounted to €3,180 million compared to €2,941 million for the year ended December 31, 2021. The increase of €239 million was mainly driven by expenses linked to outgoing managerial and non-managerial staff, greater costs associated with exchange rate fluctuations, the local salary dynamics of the Brazil Business Unit, partially offset by reductions in ordinary employee expenses, mainly due to the savings associated with the reduction in the average salaried employees.

Other Operating Expenses

For the year ended December 31, 2022, other operating expenses decreased to €816 million, from €1,502 million for the year ended December 31, 2021. The reduction is mainly attributable to the Domestic Business Unit, in which other operating expenses decreased by €767 million, partly offset by the increase in costs relating to the Brazil Business Unit of €85 million, including a positive exchange effect for €48 million.

The non-recurring items for the year ended December 31, 2022 amounted to €77 million, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities.

In the year ended December 31, 2021, non-recurring items amounted to €735 million and mainly related to provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 pandemic and provisions made as a consequence of the worsening of expected credit losses of corporate customers, connected with the expected evolution of the pandemic.

Internally Generated Assets

For the year ended December 31, 2022, internally generated assets increased to €559 million, from €475 million for the year ended December 31, 2021, primarily due to increased capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

EBITDA

For the year ended December 31, 2022, the TIM Group's EBITDA amounted to €5,347 million, a 5.3% increase compared to €5,080 million for the year ended December 31, 2021. Excluding the results of the Oi Group mobile business acquired in Brazil, consolidated EBITDA for the year ended December 31, 2022 would amount to €5,238 million. EBITDA for the year ended December 31, 2022 was impacted by non-recurring items in the amount of €682 million, whilst for the year ended December 31, 2021, the total impact of €1,144 million primarily comprised non-recurring items, of which €26 million related to the COVID-19 pandemic in Italy.

The table below sets forth the TIM Group's EBITDA by business unit for the year ended December 31, 2022 and the year ended December 31, 2021, respectively:

(€m)	For the year ended December 31,	
	2022	2021
Domestic	3,519	3,730
% of Revenues	29.7	29.8
Brazil	1,839	1,362
% of Revenues	46.4	48.0
Other Operations	(12)	(12)
Adjustments and eliminations	1	—
Consolidated Total	5,347	5,080

Domestic Business Unit

EBITDA generated by the Domestic Business Unit for the year ended December 31, 2022 amounted to €3,519 million, a decrease of €211 million or 5.7% for the year ended December 31, 2021.

Brazil Business Unit

EBITDA attributable to the Brazil Business Unit for the year ended December 31, 2022 was €1,839 million, a 35.0% increase compared to €1,362 million for the year ended December 31, 2021. For the year ended December 31, 2022, EBITDA reflected non-recurring charges of €24 million, mainly related to the development of non-recurring projects and the corporate reorganization processes.

Depreciation and Amortization

For the year ended December 31, 2022, depreciation and amortization amounted to €4,777 million, compared to €4,490 million for the year ended December 31, 2021, primarily impacted by an increase in the amortization of rights of use assets in the year ended December 31, 2022.

Impairment reversals (losses) on non-current assets

For the year ended December 31, 2022, impairment reversals (losses) on non-current assets amounted to nil, compared to negative €4,120 million for the year ended December 31, 2021, which related primarily to goodwill impairment loss attributed to the Domestic Business Unit.

Operating profit (loss) (EBIT)

For the year ended December 31, 2022, Operating profit (loss) (EBIT) amounted to €606 million compared to negative €3,529 million for the year ended December 31, 2021.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method decreased to €23 million for the year ended December 31, 2022, from €38 million for the year ended December 31, 2021.

Other income (expenses) from investments

For the year ended December 31, 2022, other income (expenses) from investments amounted to €206 million compared to €126 million for the year ended December 31, 2021, mainly due to (i) a net capital gain of €171 million 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 INWIT; and (ii) a net capital gain of €33 million connected with the October 2022 sale of the equity investment in Satispay.

Finance income and expenses

For the year ended December 31, 2022, finance income (expenses) reflected a net expense of €1,423 million, compared to €1,150 million for the year ended December 31, 2021. The increase was due to the increased debt exposure of the IFRS 16 lease component in Brazil following the acquisition of Oi and, to a lesser extent, due to interest rate dynamics in Europe.

Income tax expenses

For the year ended December 31, 2022, income tax expense amounted to €2,066 million, compared to €3,885 million for the year ended December 31, 2021. This increase mainly reflects the impact of exercising the revocation option of the realignment of goodwill, resolved by the Board on November 9, 2022, as permitted by the Italian government budget law for the year ended December 31, 2022 (i.e. Italian Law No. 234 of December 30, 2021) and as detailed in the Provision of the Revenue Agency Manager, published on September 29, 2022.

Profit (loss) for the year

For the year ended December 31, 2022, loss for the year was €2,654 million compared to loss for the year of €8,400 million for the year ended December 31, 2021. The reasons for this decrease are disclosed in the foregoing sections.

Liquidity and Capital Resources

The TIM Group's principal sources of liquidity are cash flows generated by its operating activities and its sustainability-linked revolving credit facility, for any requirements not covered by the operating cash flow generated. As of December 31, 2023, the TIM Group's liquidity margin amounted to €8,965 million, comprising cash and cash equivalents of €2,912 million and committed but undrawn amounts under the TIM Group's sustainability-linked revolving credit facility of €4,000 million.

The TIM Group's most significant financial obligations are its debt obligations. As of December 31, 2023, the TIM Group's consolidated gross financial debt was €32,636 million.

Provided below is an overview of the TIM Group's outstanding debt securities as of December 31, 2023:

Issuer	Currency	Aggregate Principal Amount	Coupon / Margin	Maturity Date
TIM S.p.A. ⁽¹⁾	Euro	450	3.625%	January 19, 2024
TIM S.p.A. ⁽²⁾	Euro	950	4.000%	April 11, 2024
TIM S.p.A.	USD	1,500	5.303%	May 30, 2024
TIM S.p.A.	Euro	1,000	2.750%	April 15, 2025
TIM S.p.A.	Euro	1,000	3.000%	September 30, 2025
TIM S.p.A. ⁽³⁾	Euro	750	2.875%	January 28, 2026
TIM S.p.A. ⁽³⁾	Euro	1,000	3.625%	May 25, 2026
TIM S.p.A. ⁽³⁾	Euro	1,250	2.375%	October 12, 2027
TIM S.p.A. ⁽³⁾	Euro	1,250	6.875%	February 15, 2028
TIM S.p.A. ⁽³⁾	Euro	1,500	7.875%	July 31, 2028
TIM S.p.A. ⁽³⁾	Euro	1,000	1.625%	January 18, 2029
TIM S.p.A. ⁽³⁾	Euro	670	5.250%	March 17, 2055
Telecom Italia Finance ^{(3) (4)}	Euro	1,015	7.750%	January 24, 2033
Telecom Italia Capital ^{(3) (4)}	USD	1,000	6.375%	November 15, 2033
Telecom Italia Capital ^{(3) (4)}	USD	1,000	6.000%	September 30, 2034
Telecom Italia Capital ^{(3) (4)}	USD	1,000	7.200%	July 18, 2036
Telecom Italia Capital ^{(3) (4)}	USD	1,000	7.721%	June 4, 2038
TIM S.A.	BRL	1,600	IPCA+4.168%	June 15, 2028
TIM Brasil Serviços e Participações S.A.	BRL	5,000	CDI+2.3%	July 25, 2028

(1) Repaid in full at maturity on January 19, 2024.

(2) Repaid in full at maturity on April 11, 2024.

(3) Original Notes part of the Exchange Offers.

(4) Guaranteed by TIM S.p.A.

The following tables present the maturity profile of the TIM Group's debt securities and loans from financial institutions as of December 31, 2023, without giving effect to the Transactions, including the Original Notes:

(€m)	Maturing by December 31,					
	2024	2025	2026	2027	2028	Beyond 2028
Bonds.....	2,867	2,220	1,970	1,470	3,214	18,046
Loans and other financial liabilities ..	982	1,080	1,588	423	2,040	6,026
Finance lease liabilities	751	612	578	537	471	5,494
Total	4,600	3,912	4,136	2,430	5,725	29,566
Current financial liabilities.....	1,377	—	—	—	—	1,377
Total	5,977	3,912	4,136	2,430	5,725	30,943

Selected Consolidated Cash Flow Data

The table below sets forth the selected consolidated cash flow data for the years ended December 31, 2023, 2022 and 2021, respectively:

Net Cash Flows (€m)	For the year ended December 31,		
	2023	2022	2021
Cash flows from (used in) operating activities.....	3,944	4,895	4,336
Cash flows from (used in) investing activities.....	(4,149)	(5,335)	(5,117)
Cash flows from (used in) financing activities.....	(456)	(2,869)	3,164
Cash flows from (used in) Discontinued operations/Non-current assets held for sale.....	-	-	-
Aggregate cash flows.....	(661)	(3,309)	2,383
Net cash and cash equivalents at beginning of the period.....	3,555	6,904	4,508
Net cash and cash equivalents at end of the period.....	2,912	3,555	6,904

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

For the year ended December 31, 2023, the TIM Group recorded net cash and cash equivalents at the end of the period of €2,912 million, compared to €3,555 million for the year ended December 31, 2022.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities decreased to €3,944 million for the year ended December 31, 2023 compared to €4,895 million for the year ended December 31, 2022, primarily due to a decrease in change in employee benefit funds, which amounted to negative €291 million for the year ended December 31, 2023 compared to positive €156 million for the year ended December 31, 2022.

Cash flows from (used in) investing activities:

Cash flows from (used in) investing activities decreased for the year ended December 31, 2023, amounting to negative €4,149 million, compared to negative €5,335 million for the year ended December 31, 2022 mainly due to a decrease in change in financial receivables and other financial assets (excluding active hedging and non-hedging derivatives).

Cash flows from (used in) financing activities:

Cash flows from (used in) financing activities decreased to negative €456 million for the year ended December 31, 2023, compared to cash flows from financing activities of negative €2,869 million for the year ended December 31, 2022, primarily as a result of an increase in incurrence of non-current financial liabilities (including current portion).

Year Ended December 31, 2022 compared to the Year Ended December 31, 2021

For the year ended December 31, 2022, the TIM Group recorded net cash and cash equivalents at the end of the period of €3,555 million, compared to €6,904 million for the year ended December 31, 2021.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities increased to €4,895 million for the year ended December 31, 2022 compared to €4,336 million for the year ended December 31, 2021, primarily due to an improvement in losses from continuing operations, which amounted to negative €2,654 million for the year ended December 31, 2022 compared to negative €8,400 million for the year ended December 31, 2021.

Cash flows from (used in) investing activities:

Cash flows from (used in) investing activities was flat for the year ended December 31, 2022, amounting to negative €5,335 million, compared to negative €5,117 million for the year ended December 31, 2021. For the year ended December 31, 2022, greater purchases of assets on a cash basis and acquisition of control of companies and other businesses, net of cash acquired (negative €6,305 million and negative €1,316 million, respectively, for the year ended

December 31, 2022) were offset by cash flows from proceeds from sales of subsidiaries or other businesses of €1,278 million.

Cash flows from (used in) financing activities:

Cash flows used in financing activities decreased to negative €2,869 million for the year ended December 31, 2022, compared to cash flows from financing activities of €3,164 million for the year ended December 31, 2021, primarily as a result of a decline in proceeds from non-current financial liabilities year on year, combined with higher repayments of non-current financial liabilities.

Capital Expenditures and Expenses for Mobile Telephone Licenses/Spectrum

The table below sets forth the capital expenditures and expenses for mobile telephone licenses/spectrum by operating segment for the years ended December 31, 2023, 2022 and 2021, respectively:

(€m)	For the year ended December 31		
	2023	2022	2021
Domestic	3,148	3,207	3,377
Brazil	834	870	1,253
Other Operations	—	—	—
Adjustments and eliminations	—	—	—
Consolidated Total	3,982	4,077	4,630
% of Revenues	24.4	25.8	30.2

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2023, amounted to €3,982 million compared to €4,077 million for the year ended December 31, 2022.

Domestic Business Unit

For the year ended December 31, 2023, the Domestic Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €3,148 million, from to €3,207 million for the year ended December 31, 2022, mainly due to the completion by Noovle during 2022 of the regions associated with the partnership with Google.

Brazil Business Unit

For the year ended December 31, 2023, the Brazil Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €834 million, from €870 million for the year ended December 31, 2022. Excluding the impact due to exchange rate fluctuations in an amount of more than €6 million, capital expenditures decreased by €42 million compared to the 2022. The reduction was due to lower investments associated with the integration of the Oi group's activities and the 4G network, but partially offset by the acceleration of investments in 5G technology and the continuous expansion of FTTH-UltraFibra technology.

Year Ended December 31, 2022 compared to the Year Ended December 31, 2021

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2022, were €4,077 million compared to €4,630 million for the year ended December 31, 2021.

Domestic Business Unit

For the year ended December 31, 2022, the Domestic Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €3,207 million, from to €3,377 million for the year ended December 31, 2021, mainly due to streamlining and prioritization of spending. A significant portion of capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2022 was intended for the development of FTTC/FTTH networks (including €80 million for the acquisition of telecommunications licenses).

Brazil Business Unit

For the year ended December 31, 2022, the Brazil Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €870 million, from €1,253 million for the year ended December 31, 2021. Excluding the impact of changes in exchange rates in an amount of €211 million, for the year ended December 31, 2022, capital expenditures and expenses for mobile telephone licenses/spectrum decreased by €594 million. More specifically, capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2021 included the acquisition of frequencies for 5G services in an amount of €564 million. Technological investments represented 91% of total capital expenditures and expenses for mobile telephone licenses/spectrum and were mainly driven by the TIM Group's goal to achieve complete mobile broadband of Brazilian municipalities, the significant coverage of capitals with new 5G SA technology and the completion of Oi infrastructure integration. Besides mobile core business expansion, the TIM Group continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

Off Balance Sheet Arrangements

The TIM Group is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than as disclosed herein or in the notes to the TIM Audited Consolidated Financial Statements.

Post-Balance Sheet Date Events

For a description of material post-balance sheet date events, see "*Summary—Recent Developments*" included elsewhere in this Exchange Offer Memorandum.

Quantitative and Qualitative Disclosures about Market Risk

The TIM Group is exposed to market risks relating to fluctuations in interest rates and exchange rates in the markets in which it operates or have bond issues, mainly in Europe, the United States, United Kingdom and Latin America.

Credit Risk

The TIM Group does not have significant concentrations of credit risk. Credit risk of the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfil their assumed obligations, due to general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. For credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average inability to collect estimated on the basis of statistics.

Liquidity Risk

The TIM Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. As the majority of its external debt is issued and managed centrally, the TIM Group has a significant amount of control and visibility over the payments required to satisfy obligations under the various tranches of its existing debt.

Additionally, as of December 31, 2023, the TIM Group had access to its sustainability-linked revolving credit facility, which provides for borrowings of up to €4,000 million (which is fully undrawn) to cover any liquidity needs not met by operating cash flow generation. See "*Liquidity and Capital Resources*."

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not the TIM Group's earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a

significant effect on the fixed rate debt until the TIM Group would be required to refinance such debt at maturity. In addition, the TIM Group is exposed to the interest rate risk on the portion of its consolidated gross debt that is index-linked to floating rates. The decision to maintain a certain debt structure at fixed and floating rates aims at minimizing the negative impact of the interest paid and is partially achieved through the use of derivatives, through which fixed-rate liabilities are synthetically converted into variable-rate instruments. For additional information regarding the rates applicable to the TIM Group's outstanding indebtedness, please see "*Liquidity and Capital Resources*."

Foreign Currency Risk

The TIM Group's business is exposed to fluctuations in currency exchange rates. The TIM Group generally hedge its foreign exchange exposure, but usually does not cover the risk of transfer relating to its foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular BRL) may adversely affect its consolidated results. A rise in the value of the euro relative to other currencies in certain countries in which the TIM Group operates or has made investments will reduce the relative value of the revenues or assets of its operations in those countries and, therefore, may adversely affect its operating results or financial position. The TIM Group also conduct, and will continue to conduct, transactions in currencies other than its primary transactional currencies, particularly in U.S. dollars. In addition, the TIM Group has raised, and in the future may raise in an increasing proportion, financing in currencies other than the Euro, principally U.S. dollars and BRL. According to the TIM Group's policies, hedging of the exposure in foreign currencies relating to the financial liabilities is mandatory. Indeed, the TIM Group has entered into certain hedging transactions to manage its foreign currency and interest rate risks. These include interest rate swaps ("**IRS**") to reduce interest rate exposure on fixed-rate and variable-rate bank loans and bonds, as well as cross currency and IRS to convert the bonds secured in different foreign currencies to its operational currency. For details regarding the TIM Group's outstanding derivative instruments, see Note 18 (Financial Risk Management) and Note 17 (Derivatives) to the 2023 TIM Audited Consolidated Financial Statements Note 18 (Financial Risk Management) and Note 17 (Derivatives) to the 2022 TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Critical Accounting Policies, Judgments and Estimates

For details regarding critical accounting policies, judgments and estimates, see Note 2 to each of the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Related Party Transactions

Other than as disclosed in this Exchange Offer Memorandum and in the notes to the TIM Audited Consolidated Financial Statements, the TIM Group did not have any material transactions with related parties during the years ended December 31, 2023 and 2022 and 2021. See "*Certain Relationships and Related Party Transactions of the TIM Group*."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO FORMA CARVE-OUT FINANCIAL INFORMATION AND RESULTS OF OPERATIONS OF NETCO

The following discussion and analysis are intended to assist in providing an understanding of NetCo's pro forma carve-out financial condition, changes in financial condition and results of operations and should be read in conjunction with the NetCo Unaudited Combined Pro Forma Carve-out Financial Information and NetCo Audited Combined Carve-out Financial Information prepared in accordance with IFRS. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Optics Notes. For a description of NetCo Unaudited Combined Pro Forma Carve-out Financial Information and NetCo Audited Combined Carve-out Financial Information, see "Presentation of Financial and Other Information."

Unless the context otherwise requires, the following discussion and analysis as well as references to the "TIM Group" therein reflect the effects and implications of the Transactions as if they had already occurred. See "Business of NetCo" and "—Basis of Presentation" for further information.

In addition to the conventional financial performance measures established by the IFRS, the TIM Group uses certain alternative performance measures to provide a measure of operating results of NetCo excluding certain items that the TIM Group believes are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in NetCo's operating results and cash flow generation to be more easily observable. The TIM Group believes that the non-IFRS measures are useful to manage and assess the results of operations, make decisions with respect to investments and allocation of resources and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating within NetCo's industry, and thus are a basis for comparability between NetCo and its peers. Such non-IFRS measures are not necessarily comparable to similarly titled measures of other companies. Furthermore, non-IFRS measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, data prepared in accordance with IFRS. See "Presentation of Financial and Other Information" included elsewhere in this Exchange Offer Memorandum for further details regarding the non-IFRS measures presented in this section.

Basis of Presentation

The pro forma combined income statement of NetCo for the year ended December 31, 2023 and the pro forma combined income statement for the year ended December 31, 2022 have not been audited by outside auditors, consultants or experts and are derived from the NetCo Audited Combined Carve-out Financial Information.

The pro forma combined income statement of NetCo for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023 and the pro forma combined income statement for the year December 31, 2022 was prepared to give effect to the Transactions as if they had been completed on January 1, 2022.

These pro forma combined income statements of NetCo are based on available information and certain current market-based assumptions that the TIM Group's management believes are reasonable. They are presented for illustrative purposes only and do not purport to represent what the actual results of operations would have been if the events for which the pro forma adjustments had occurred on the dates assumed, nor do they purport to project NetCo's results of operations for any future period or financial condition at any future date. For more information, see "NetCo Unaudited Combined Pro Forma Carve-out Financial Information."

Key Factors Affecting NetCo's Results of Operations and their Comparability

NetCo's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain events and actions. The key factors, among others, affecting the ordinary course of NetCo's business and its results of operations are discussed below.

Development of NetCo's fixed-line network infrastructure

NetCo's business model is capital intensive, requiring significant capital expenditures to develop, maintain, repair, upgrade, protect and replace its existing network. In addition, to remain competitive and meet evolving customer demand, NetCo is required to expand, modernize, and update its fixed-line infrastructure, including activities such as construction, and co-financing of fiber-based network deployment. In the periods under review, NetCo has made significant investments and capital expenditures in building its next-generation fixed-line network infrastructure and remains committed to further developing and future-proofing its network by investing in the latest network technologies.

Italy's topography, population density and lack of cable infrastructure have created ideal conditions for fixed-line network to establish itself. In addition, the market appears to be still underpenetrated in certain areas. See "*NetCo Industry Overview—Overview of the Italian Fixed Broadband market and competitive landscape.*" Broadband penetration in Italy is lower than other European Union countries, including France, Germany, and Spain. NetCo's results of operations are affected by the continued development of its infrastructure network, namely: (i) the expansion of its FTTH coverage, particularly in those areas where NetCo has been awarded lots through public tenders and (ii) the development, maintenance, repair, upgrade, protection and replacement of its existing fiber and copper based network to provide seamless connectivity to OAOs.

NetCo monitors and plans the development of infrastructure network across its coverage areas within Italy.

The maintenance and development of NetCo's existing fixed-line network and NetCo's fiber roll out plans affect its results of operations, among others, in the following ways:

- drives revenue growth as the more telecommunication operators and geographic areas NetCo can reach with its broadband and ultrabroadband options, the greater its addressable customer base;
- increases NetCo's operating expenses, particularly related to purchases of materials and devices, maintenance services, independent contractors and other labor costs;
- increases both NetCo's maintenance and growth capital expenditures as well as tangible assets; and
- increases NetCo's current and non-current financial liabilities as certain activities related to development and expansion of its fixed-line network are financed with debt financing arrangements.

NetCo has invested €1,627 million and €1,814 million in capital expenditures for the year ended December 31, 2022 and 2023, respectively.

For further information, please see "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives.*"

Macroeconomic and Geopolitical Developments

NetCo's operations are subject to macroeconomic and geopolitical risks, particularly in Italy, that are outside of NetCo's control. For example, high levels of inflation or sovereign debt, combined with weak growth and high unemployment, could affect the private and public sector spending on, and investment in, telecommunications products and services, leading to weaker demand for such products and services and an increase in the risk of bad debts, leading to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, heightened levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact NetCo's financial condition. See "*Risk Factors—Risks Related to NetCo—Risks Related to Macroeconomic Conditions Affecting NetCo.*"

For example, NetCo's results of operations in the periods under review have been affected by adverse economic conditions, including as a result of inflationary pressures and increases in interest rates, which have had a negative effect on the overall spending by customers in the telecommunication sector and the demand for NetCo's products and services in such market. See "*Risk Factors—Risks Related to NetCo—Risks Related to Macroeconomic Conditions*

Affecting NetCo—The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy’s employment rate and ultimately in NetCo’s direct customers’ services demand.”

Small number of customers

NetCo derives a significant portion of its revenue from a limited number of customers, among which includes the TIM Group and other main Italian fixed-line and mobile network operators such as Vodafone, Fastweb, WindTre and Iliad.

NetCo’s results of operations are dependent on these key customers. In particular, demand from these customers may materially affect NetCo’s results of operations. Several factors may affect such demand, including, among others, (i) changes in NetCo’s regulatory framework, (ii) the evolving latency and bandwidth requirements of its key customers and/or (iii) advancements in competing technology (e.g., 5G, LEOS and FWA connectivity). In addition, any major disruption in its business, such as a strike, work stoppage or slowdown or a supply chain problem may affect the quality or reliability of NetCo’s products and services, thereby leading to reduced demand for its products and services and negatively impacting NetCo’s results of operations. Furthermore, any consolidation in NetCo’s customer base may result in pricing pressure, which in turn could negatively contribute to its revenue.

For further information relating to NetCo’s relationships with key customers, see “*Business of NetCo—Material Contracts*,” “*Risk Factors—Risks Related to NetCo—Risks related to NetCo’s Business Activity and Industry—Any deterioration of the financial condition of NetCo’s key customers could adversely affect its results of operations*” and “*Risk Factors—Risks Related to NetCo—Risks related to NetCo’s Business Activity and Industry—Following the successful completion of the Transactions, the TIM Group will become a key customer of NetCo and as such any material deterioration of the TIM Group’s business could negatively affect NetCo’s business, financial condition and results of operations.*”

Regulatory Framework

NetCo’s activities in the fixed telecommunications sector in Italy are governed by a comprehensive and evolving set of rules and regulations at both the European and Italian levels. In addition to general environmental, building, zoning, seismic and fire prevention regulations that apply to NetCo’s infrastructure operations, NetCo must comply with a specific regulatory framework for electronic communication services as established by the European Union and implemented into the Italian legal system. Compliance with this complex regulatory landscape in relation to the vertical integration, has had a significant impact on NetCo’s results of operations prior to the Transactions. For example, applicable cost-orientation obligations have limited NetCo’s discretion in setting prices for certain of its services. See “*NetCo Regulation*” and “*Risk Factors—Risks Related to NetCo—Risks Related to NetCo’s Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo’s activities, NetCo’s business, results of operations and financial condition may be adversely affected.*”

Nonetheless, NetCo expects that the consummation of the Transactions will result in certain regulatory reliefs, including the expected recognition as a “wholesale-only” operator. Such recognition is expected to relieve NetCo from cost-orientation pricing constraints, thereby enabling fair and reasonable margins on fiber investments and potentially driving revenue growth. However, it is currently uncertain whether, when and to what extent the relevant authority may grant such recognition.

Ability to win attractive public tenders and to execute them profitably

The Italian regulatory environment is broadly supportive of fiber-based network growth, with the Italian government committed to fostering the expansion of the national telecommunications network infrastructure. This commitment is evidenced by government supports, such as funds made available under the NRRP for “*Italia a 1 Giga*” and “*5G backhauling*” initiatives, aimed at technological advancement within public administration and extending reach to rural areas. See “*NetCo Regulation—The Italian Regulatory Framework—Regulatory levies—Government’s UBB Network State Aid Plans*” and “*Business of NetCo—Business Areas.*”

In the FTTH market, the Italian government typically allocates funds and designates specific zones to a single operator, currently either NetCo or Open Fiber, to guarantee the efficient delivery of services. The allocation of these zones is determined through competitive public tenders. The procurement of such tenders affects NetCo’s operating results

both in the short and long term. In the short term, NetCo's fiber roll out determines an increase in its overall capital expenditures. However, in the long term, NetCo's results of operations are positively impacted given the ability to generate revenue from the expanded network, benefitting from being the sole operator in the tendered areas. Moreover, the Italian government provides funding to mitigate capital expenditures and other expenses associated with roll out in tendered areas. Conversely, the absence of a tender award precludes NetCo from tapping into these government-allocated funds and, therefore, without these tenders, NetCo faces the inability to expand its network infrastructure in tendered areas, which could lead to a substantial impact on its operating results.

Moreover, when NetCo secures government funding through public tenders, it is obligated to execute its deployment plan in accordance with the specific terms and conditions set forth in the relevant contracts. Non-compliance with these contractual obligations may lead to significant penalties, including the possibility of the government reducing, withholding, or demanding repayment of the awarded funds. Accordingly, NetCo is required to precisely estimate resources and costs when competing in such tenders. Any reduction in NetCo's access to public funds may increase its operational costs. In addition, NetCo may face difficulties in securing alternative financing. This may determine a delay in its roll out plan and affect its operating results. See *"Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives."*

Competition and Pricing

During the periods under review the pricing pressure affecting NetCo's results of operations has primarily come from Open Fiber, however there is no assurance that such pricing pressure may not increase in the future, including from FWA and mobile network operators, thereby materially and further affecting NetCo's results of operations. See *"Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry," "Business of NetCo"* and *"NetCo Industry Overview."* Given the competitive dynamics and the prevalent macroeconomic environments in Italy, during the periods under review, NetCo has introduced pricing mechanisms for adjusting its product and service offerings to account for increased costs, primarily associated with heightened inflation, in order to reduce pressure on cash costs. For a description of the competitive landscape in the key geographies in which NetCo operates, see *"NetCo Industry Overview."*

Key Income Statement Items

Revenues

Revenues consists of income generated under the Master Services Agreement, the Transitional Services Agreement and from active equipment sales, delivery of broadband and ultrabroadband network access services to wholesale customers as well as provision of other regulated and non-regulated services (i.e. colocation), including adjustments and eliminations.

Other Income

Other income mainly consists of recovery of employee benefit expenses, purchases and services rendered, capital and operating grants, damages, penalties, estimate revisions and other adjustments, income for special training activities and other income.

Acquisition of Goods and Services

Acquisition and goods services are mainly associated with costs related to (i) network access, such as delivery and assurance costs, (ii) energy and fluids, which comprises utilities costs and (iii) maintenance costs, which includes costs of maintenance of the infrastructure.

Employee Benefit Expenses

Employee benefits and expenses primarily consists of ordinary employee expenses.

Internally Generated Assets

Internally generated assets refer to the capitalization of costs relating to network infrastructure and IT systems, as well as software development and development of network solutions, applications and innovative services.

Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)

EBITDA includes operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets.

EBITDA is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The TIM Group believes that this measure is useful to readers of the NetCo Unaudited Combined Pro Forma Carve-out Financial Information as it provides them with a measure of the pro forma operating results which excludes certain items the TIM Group considers outside of NetCo's recurring operating activities, making trends more easily observable and providing information regarding its operating results that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect the operating results, which is also presented within the NetCo Audited Combined Carve-out Financial Information in accordance with IAS 1 (Presentation of Financial Statements).

Depreciation and Amortization, gain (losses) on disposals and impairment reversals (losses) on non-current assets

Depreciation and amortization includes amortization of intangible assets with a finite useful life, depreciation of tangible assets and amortization of rights of use assets.

Impairment reversals (losses) on non-current assets contains impairment reversal and losses on non-current intangible and tangible assets.

Operating profit (loss) (EBIT)

Operating profit (loss) EBIT is calculated to include impairment losses (reversals) on non-current assets, losses (gains) on disposals of non-current assets and depreciation and amortization.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include interest income, interest expenses to banks, interest expenses to others, finance expenses on lease liabilities, commissions and other finance expenses.

Income tax expense

Income tax expense includes all taxes calculated on the basis of a tax rate at 24% for IRES and 4.5% for IRAP.

Profit (Loss) for the year

Profit (Loss) for the year includes profit (loss) for the year from continuing operations and discontinued operations/non-current assets held for sale.

Discussion and Analysis of NetCo's Pro Forma Carve-out Results of Operations for the year ended December 31, 2023 compared to the year ended December 31, 2022

The below table sets forth NetCo's pro forma combined income statement for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Pro Forma Combined Income Statement

(€m)

For the year ended December 31,	
2023	2022
(unaudited)	

Revenues	3,977	3,858
Other income.....	240	244
Acquisition of goods and services	(959)	(961)
Employee benefits expenses	(1,015)	(1,050)
Other operating expenses/Changes in inventories/Internally generated assets.....	110	117
EBITDA	2,353	2,208
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)	(1,535)
Operating profit (EBIT)	780	673
Finance income (expenses), net	(336)	(239)
Profit before tax from continuing operations	444	434
Income tax expense.....	(133)	(130)
Profit from continuing operations	311	304
Profit for the year	311	304

Revenues

On a pro forma basis for the year ended December 31, 2023, NetCo generated revenues of €3,977 million, a 3.1% increase compared to €3,858 million for the year ended December 31, 2022. This increase in revenues was mainly driven by higher sales to Open Fiber pursuant to certain agreements for White and Grey Areas as well as an increase in average unit prices partially offset by a reduction in quantities.

Acquisition of goods and services

On a pro forma basis for the year ended December 31, 2023, acquisition of goods and services amounted to €959 million, compared to €961 million for the year ended December 31, 2022. This decrease was primarily related to higher procurement costs for materials supporting certain operational activities as partially offset by lower costs for services and performance. As a percentage of revenues acquisition of goods and services decreased from 24.9% for the year ended December 31, 2022 to 24.1% for the year ended December 31, 2023.

Employee benefits expenses

On a pro forma basis for the year ended December 31, 2023, employee benefits expenses amounted to €1,015 million compared to €1,050 million for the year ended December 31, 2022. The decrease of €35 million was mainly driven by the reduction of FTE employees allocated to the perimeter, following the application of measures provided by the Italian Government and carried out over the course of 2023. As a percentage of revenues employee benefits expenses decreased from 27.2% for the year ended December 31, 2023 to 25.5% for the year ended December 31, 2025.

Other operating expenses, changes in inventories and internally generated assets

On a pro forma basis for the year ended December 31, 2023, other operating expenses, changes in inventories and internally generated assets decreased to €110 million, from €117 million for the year ended December 31, 2022. As a percentage of revenues operating expenses, changes in inventories and internally generated assets decreased from 3.0% for the year ended December 31, 2022 to 2.8% for the year ended December 31, 2023.

EBITDA

On a pro forma basis for the year ended December 31, 2023, NetCo's EBITDA amounted to €2,353 million, a 7.1% increase compared to €2,208 million for the year ended December 31, 2022. This increase was mainly driven by the factors described above and, in particular, the increase in revenues.

Depreciation and amortization, gains (losses) on disposals and impairment reversals (losses) on non-current assets

On a pro forma basis for the year ended December 31, 2023, depreciation and amortization, gains (losses) on disposals and impairment reversals (losses) on non-current assets amounted to negative €1,573 million, compared to negative €1,535 million for the year ended December 31, 2022, primarily impacted by an increase in capital expenditures.

Operating profit (EBIT)

On a pro forma basis for the year ended December 31, 2023, operating profit (EBIT) amounted to €780 million compared to €673 million for the year ended December 31, 2022. This increase was mainly driven by the impact on EBITDA from (i) an increase in revenues, primarily related to higher sales to Open Fiber under certain agreements for White and Grey Areas, and (ii) a reduction in employee benefit expenses due to a decrease in full-time equivalents, which was only partially offset by an increase in depreciation and amortization.

Finance income (expenses)

On a pro forma basis for the year ended December 31, 2023, finance income (expenses) reflected a net expense of €336 million, compared to €239 million for the year ended December 31, 2022. This increase was primarily due to the evolution of EURIBOR, which underpins the interest rates applied to the FiberCop Term Loan (the average interest rate for the year 2023 was 5.5%, representing a year-over-year increase of 3%).

Profit before tax continuing operations

On a pro forma basis for the year ended December 31, 2023, profit before tax continuing operations amounted to €444 million compared to €434 million for the year ended December 31, 2022. This increase was mainly due to the factors mentioned above.

Income tax expense

On a pro forma basis for the year ended December 31, 2023, income tax expense amounted to €133 million, compared to €130 million for the year ended December 31, 2022.

Profit from continuing operations

On a pro forma basis for the year ended December 31, 2023, profit from continuing operations amounted to €305 million compared to €304 million for the year ended December 31, 2022.

Profit for the year

On a pro forma basis for the year ended December 31, 2023, profit for the year was €305 million compared to a profit for the year of €304 million for the year ended December 31, 2022, due to the factors described above.

Liquidity and Capital Resources of NetCo and Optics

Pro Forma Operating Free Cash Flow

No pro-forma statement of cash flows has been prepared for the year ended December 31, 2023, as, under the circumstances, it would not provide useful information to investors. The following table provides a reconciliation of NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented, which is based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

<i>(Pro Forma)</i> (€m)	For the year ended December 31, 2023 (unaudited)
EBITDA	2,353
Change in inventories.....	(11)
Change in trade receivables	(60)
Change in trade payables	217
Change other operating assets / liabilities	2
Change in provision	5
Change in provision for employee benefits.....	(12)
Capital expenditures.....	(1,814)
Operating Free Cash Flow^(*)	680

(Pro Forma) (€m)	For the year ended December 31,	
	2023	2022
	(unaudited)	(unaudited)
Lease payments		(370)
Operating Free Cash Flow-AL^(*)		310

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

Major variations in the change in working capital are attributed to changes in trade receivables, primarily due to an increase in revenues, and changes in trade payables, primarily due to an increase in capital expenditures.

Liquidity of the Optics Group after the Acquisition Closing Date

Going forward, it is expected that the Optics Group will meet its liquidity needs through cash generated from its operating activities, its €2.0 billion RCF and potential future debt issuances depending on overall market conditions.

As of December 31, 2023, after giving effect to the Transactions, the Optics' Pro Forma Adjusted Net Financial Debt-AL would have been €8,348 million, including (i) €5 billion of Optics Notes (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023) and (ii) €3.5 billion under the Senior Facility Agreement (maturing 60 months after the first utilization date under the Senior Facilities Agreement). If a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes (\$431 million) (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement (maturing two years following initial utilization) for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition.

See "Description of Certain Other Financing Arrangements of the Optics Group." The overall debt maturity profile of Optics will depend on the outcome of the Exchange Offers.

Capital Expenditures

The table below sets forth NetCo's capital expenditures for the years ended December 31, 2023 and 2022, respectively:

(Pro forma) (€m)	For the year ended December 31,	
	2023	2022
	(unaudited)	(unaudited)
Investments in intangible assets	74	128
Investments in property, plant and equipment	1,664	1,438
Investments in right of use assets	76	61
Consolidated Total	1,814	1,627

For more information see "NetCo Audited Combined Carve-out Financial Information."

NetCo's capital expenditures for the year 2023 include a significant portion aimed at the development of FTTC/FTTH networks. The increase compared to the prior year is particularly due to the projects associated with the NRRP, in detail: capital expenditures for the "Italia1 Giga" project experienced an increase of €330 million, and capital expenditures for "5G Backhauling" initiative saw growth by €85 million. These expansions reflect NetCo's commitment to enhancing digital infrastructure and connectivity across Italy.

Off Balance Sheet Arrangements

As of December 31, 2023, NetCo had provided personal guarantees to certain suppliers of Telenergia and received third-party guarantees mainly relating to Telenergia's contractual obligations towards its suppliers and insurance guarantees and performance bonds associated with the NRRP tenders. New insurance guarantees and performance bonds related to the NRRP tenders may be required if the NRRP advance payments received by TIM at the end of 2023 are later transferred to NetCo (from either TIM or Infratel). For further information, please see "*NetCo Audited Combined Carve-out Financial Information—Other information*" and "*Risk Factors—Risks related to the TIM Group's Financial Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.*"

Accounting Policies

The accounting policies adopted in preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are in conformity with the IFRS, endorsed by the European Union. See "*Consolidated Financial Statements—NetCo Audited Combined Carve-out Financial Information.*"

BUSINESS OF THE TIM GROUP

This business section includes certain technical terms that are commonly used within the TIM Group's industry. See "Appendix B (Glossary)" for a detailed explanation of these terms. The estimates regarding the TIM Group's market share and relative market share are derived from the TIM Group internal data and certain extrapolations. For more detailed information on the industry in which the TIM Group operates, please see "TIM Group Industry Overview."

The following summary of the TIM Group's business as well as references to the "TIM Group" are as of and for the year ended December 31, 2023. Therefore, unless explicitly stated otherwise or the context otherwise requires, the following summary of the TIM Group's business as well as references to the "TIM Group" do not reflect the effects and implications of the Transactions. See "Summary—The Transactions." This section should be read in conjunction with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum and the notes thereto.

Overview

The TIM Group is one of the leading information and communications technology ("ICT") providers, operating principally in Italy and Brazil. The TIM Group offers mobile and fixed-line telephony products and services to individuals and families for communication and entertainment and digitalization services to small and medium enterprises through a portfolio which is personalized to their needs. As of December 31, 2023, the TIM Group provided 30.1 million mobile lines (including both "human" SIM and Machine to Machine ("M2M")) and 8.0 million fixed-line lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

History

The TIM Group, formerly known as Telecom Italia, is a joint-stock company established under Italian law on October 20, 1908.

On July 18, 1997, the predecessor to Telecom Italia was merged with and into Società Finanziaria Telefonica per Azioni ("STET"), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to "Telecom Italia S.p.A." In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatization of Telecom Italia, selling substantially all of its stake in the predecessor Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

In July 1998, as part of the privatization of Telebrás, the Brazilian state-owned telecommunications monopoly, the Federal Government sold substantially all its shares of the twelve holding companies into which Telebrás had initially been broken up. After a series of corporate reorganizations, mergers, acquisitions and name changes, the majority of share capital is currently held, directly and indirectly, by Telecom Italia through its indirectly wholly owned subsidiary, TIM Brasil Serviços e Participações S.A., formed in 2002 as the holding company of Telecom Italia's operating companies in Brazil.

On May 21, 1999, Olivetti obtained control of the predecessor Telecom Italia Group through a tender offer where approximately 52.12% of predecessor Telecom Italia Ordinary Shares were tendered to Olivetti.

On August 4, 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A."

In 2003, the TIM Group launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer such technology at that time. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry. On June 30, 2005, Telecom Italia Mobile, a leading mobile telecommunications provider in Italy, merged with and into TIM. The acquisition further strengthened the TIM Group's position in the Italian market, enabling it to offer customers a comprehensive range of telecommunications services.

On November 6, 2023, TIM entered into the Transaction Agreement for the sale of the NetCo Business to Optics. See "*The Transaction*" for further information.

TIM Group Operations

The TIM Group's business comprises three business units: the Domestic Business Unit, which primarily includes its operations in Italy, the Brazil Business Unit and the Other Operations Business Unit, which includes ancillary operations of the TIM Group (including financial operations). See "*TIM Group Business Units*" for further information.

Italy

In Italy, the TIM Group offers full-service solutions (including mobile voice, landline voice and fixed broadband), leveraging its own and third party operators' fixed and mobile infrastructure. As of September 30, 2023, the TIM Group held a leading position in Italy across both the fixed broadband and mobile (total SIM) retail markets, with market shares of approximately 40.2% and approximately 27.9%, respectively by number of lines (Source: AGCOM (Communication market monitoring system No. 4/2023)). As of December 31, 2023, the TIM Group's 4G mobile network covered approximately 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to ten gigabytes per second ("**Gbps**"), fully flexible television packages, including streaming services and a wide range of mobile data packages, with speeds of up to 2 Gbps on 5G networks. In 2022, the TIM Group completed the phase-out of its 3G network in Italy, enabling the TIM Group to focus on its ongoing investments in 4G and 5G technologies, which the TIM Group believes are more energy efficient and higher performing in terms of the quality of service offered to its customers. Additionally, as of December 31, 2023, the TIM Group provided approximately 7.2 million fixed line broadband retail accesses in Italy. Further, as of December 31, 2023, the TIM Group also provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group also holds the 3.6-3.8 GHz spectrum band and believes that it is well positioned to satisfy the market demand for LTE and 5G services. The TIM Group's 5G spectrum rights, acquired at auction in 2018, will expire in 2037.

In Italy, the TIM Group manages 16 data centers in eight cities (within 50,000 sqm of system rooms and approximately 58 MW available IT power) to guarantee the maximum levels of operation, security and energy efficiency as further certified by highest rankings in industry standards and certifications.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated, particularly, in light of the COVID-19 pandemic and the Ukraine-Russia conflict. In particular, the TIM Group routinely establishes initiatives in support and in the wake of worldwide crises. In light of the declaration of the state of emergency of the Italian government, resolved by the Italian Council of Ministries on February 28, 2022, aimed at assuring, through to December 31, 2022, aid and assistance to the Ukrainian population on national territory, the TIM Group, among other operators, voluntarily started major solidarity initiatives in support, in particular, of its Ukrainian customers living in Italy, to allow them to communicate free of charge or at special prices with their family members in Ukraine. With the support of the European Commission, on April 8, 2022, TIM also signed a joint declaration, together with other EU and Ukraine operators to provide affordable or zero-rated roaming and international call services between the EU and Ukraine. The joint declaration seeks to provide a more stable context in which to help the Ukrainian evacuees throughout Europe to stay in contact with friends and family.

Brazil

In Brazil, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products. The TIM Group believes that it is one of the main players and a leader in 5G coverage in the South American communications market, the TIM Group being the only operator in all the Brazilian municipalities. In 2021, the TIM Group completed the phase-out of its 2G network in Brazil. According to ANATEL, as of November 30, 2023, the TIM Group held 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of December 31, 2023, the TIM Group provided 61.2 million mobile lines in Brazil and its mobile network covered areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Móvel S.A. ("**Oi**"), which completed in 2022, the TIM Group has the capacity to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality in Brazil. As a

result of this acquisition, the TIM Group believes that it will have improved scale and new revenue generation opportunities, higher efficiency due to additional spectrum and opportunities to capture value from infrastructure overlap. The TIM Group, with the acquisition of Oi, became the leading player among Brazilian competitors in terms of cities covered, population served and spectrum per client. The TIM Brazilian mobile market share, as of December 31, 2023, was 24%.

TIM Group Operations as a Result of the Implementation of the Delaying Plan

As part of the Delaying Plan, the TIM Group is currently planning the reorganization of its business, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delaying Plan, the resulting business is expected to be classified around three business areas: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. For a detailed description of the TIM Group's planned new business reshaping, please see "*—The TIM Group's Strategy—Delaying Plan—The new business areas set forth under the Delaying Plan: TIM Enterprise, TIM Consumer and TIM Brasil.*"

The TIM Group's Key Strengths

The TIM Group believes that it benefits from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions and the implementation of the Delaying Plan:

The TIM Group is a leading player in the Italian telecommunications market and benefits from an improving domestic market environment across the different business units after years of challenging market conditions.

The TIM Group is a leading player in the Italian fixed and mobile retail services and mobile wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile retail segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, the mobile and fixed retail markets are now showing clearer signs of market rationality. This translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. See "*—Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.*" Moreover, the telecommunications industry has proven to be resilient and essential for companies and consumers during the COVID-19 pandemic, as the industry has facilitated valuable activities such as remote working, e-schooling and virtual entertainment.

The Italian broadband market is still underpenetrated and, accordingly, it shows room for further growth. Due to lack of cable infrastructure and difficult morphology, as of December 31, 2023, Very High Capacity Network ("VHCN") coverage in Italy was approximately 54% compared to approximately 73% in the European Union, according to the Digital Decade Country Report 2023, issued by the European Commission. This trend suggests that Italy may offer opportunities for further network deployment, particularly fiber roll-out. Following the successful completion of the Transactions, the TIM Group is expected to benefit from this trend in two significant ways. First, through the Master Services Agreement, the TIM Group will have access to NetCo's future deployed fiber network benefitting from the extended duration of the Master Services Agreement. Secondly, by externalizing the NetCo Business and its potential coverage growth, the TIM Group is expected to benefit from a decrease in capital expenditures and a corresponding reduction in associated risks.

In the consumer segment, the TIM Group believes that the main drivers of data traffic growth include trends such as the growing use of streaming platforms, online shopping, online banking applications, video-on-demand as well as gaming and video activities. The growing adoption of these new applications was boosted by social distancing measures implemented during the COVID-19 lockdowns and the ensuing changes in work and life habits.

In the enterprise segment (which mainly focuses on large enterprises and public administration), relevant drivers for data traffic growth include cloud services, IoT, business continuity and security.

On the back of these long-term trends, data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage. As reported by AGCOM, as of September 30, 2023, fixed and mobile data traffic had almost doubled and tripled, respectively, in three years.

The TIM Group also competes in IT services, which, even if such market has been consistently growing in the last years, has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended December 31, 2023, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.6 billion (for which the TIM Group addresses approximately 30% of the spending in the serviceable market) spent on IoT, (ii) approximately €4.7 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on cloud services, (iii) approximately €1.8 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on security services; (iv) approximately €2.3 billion (for which the TIM Group addresses approximately 70% of the spending in the serviceable market) spent on traditional connectivity services and (v) approximately €13 billion (for which the TIM Group addresses approximately 56% of the spending in the serviceable market) spent on other IT services and products. The increasing penetration of IT services in Italy is expected to accelerate as Italian companies increase their spending on IT services to improve their competitive advantage and keep pace with the global trend towards digitalization. The TIM Group's ability to foster the digitalization of the country has also passed through the development of strategic innovation programs in the territory, in which TIM has acted effectively as an enabler of open innovation and co-innovation models, through participation in technology transfer centers, such as five public-private partnership state funded Competence Centers. Commitment to innovation allowed TIM to be among the few enterprises representing Italy in the €1.2 billion funds IPCEI project on cloud and Edge computing, awarded by the European Commission during 2023.

The Italian IT services markets are characterized by structural market dynamics which work against international competitors, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in many markets including banking, energy, and healthcare, the importance of local relationships and proximity to customers, which is particularly applicable to public sector companies. As a result, the TIM Group believes that such dynamics favor local players, thus allowing the TIM Group to capitalize on its leading positioning in the IT services market, given its deep knowledge of the domestic market and long-lasting relationships with a wide cross-section of Italian customers and partners. Italian customers have also been shown to prefer IT service suppliers with whom they share a common language, that have extensive operations in Italy and that have an in-depth know-how of the applicable Italian legal and regulatory framework, which the TIM Group believes makes entering the Italian telecommunications markets more challenging for international players. The TIM Group considers that the growth of its underlying enterprise market is mainly driven by strong ongoing digitalization across the Italian public and private sector institutions, with increased IT services spend on, and diversified growth of, new digital enabling technologies such as (i) IoT (which is expected to grow by a CAGR of approximately 9% between 2022 and 2026), (ii) cloud services (which is expected to grow by a CAGR of approximately 17% between 2022 and 2026), (iii) security (which is expected to grow by a CAGR of approximately 11% between 2022 and 2026), and (iv) traditional connectivity services which is expected to grow by a CAGR of approximately 1.4% and 0.7% between 2022 and 2026) and other IT services (which is expected to remain substantially stable between 2022 and 2026).

In response to the COVID-19 pandemic, the European Union put in place a set of measures applicable to all member states in order to help them through the crisis and create a joint platform for economic and social recovery. The national recovery and resilience plan (“**NRRP**”) presented by Italy provided for substantial investment and a set of reforms representing approximately €250 billion in total, which will be funded both at EU level and nationally. One of the plan's main objectives is the digital modernization of Italy's communication infrastructure, both in public administration and the country's production system, in order to provide fast connectivity nationwide for individuals, businesses, schools and hospitals. The plan therefore comprises several measures to boost the creation of high-performance networks, notably fiber and 5G as well as satellite technologies, and simplifies the regulatory framework for their rollout. Under the NRRP, the TIM Group has been awarded approximately €2.9 billion (includes the amount awarded to TIM and the temporary business groups led by TIM), which will allow clear opportunities for the TIM Group in the infrastructure development, digitization and innovation fields. In particular, the TIM Group was awarded two lots under the “connected healthcare” initiative (representing approximately 3,100 healthcare facilities) and four lots under the “connected schools” initiative (representing approximately 5,900 schools). For more information, see “*Regulation of the TIM Group—Regulatory Levies*” and “*Regulation of NetCo—Regulatory Levies*.”

The TIM Group holds a leading market share in Italy in its fixed and mobile retail and enterprise sectors.

The TIM Group benefits from an established leading position across the fixed retail Italian sectors (including voice and fixed broadband) with a 40.2% market share as compared to 15.9%, 14.0%, 13.8% and 3.7% for the next four competitors and 11.4% for the remaining players, as of September 30, 2023. In the mobile market in Italy (including mobile voice and mobile broadband, and including both “human” SIM and M2M), the TIM Group benefitted from a 27.9% market share as compared to 27.2%, 23.7%, 9.7% and 4.1% for the next four competitors and 7.5% for the remaining players, as of September 30, 2023 (Source: AGCOM Communication market monitoring system No. 4/2023). The TIM Group’s service offering is a best in class offering with broadband speeds of up to 10 Gbps, fully flexible TV packages including streaming services, and a wide range of data packages available in mobile, with speeds of up to 2 Gbps on 5G.

The TIM Group is an ICT player in Italy and benefits from an established position in the Italian IT services market for large enterprise and is uniquely positioned in the public administration segment through the Domestic Enterprise organization and an ICT value proposition based on multiple lines of business (i.e. fixed, mobile, cloud, cyber security, IoT and professional services). The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 33,000 customers. Moreover, the TIM Group holds 47% market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2B network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device. The TIM Group also benefits from approximately 8% market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes). The IT services market can be segmented by the type of skills that are employed to deliver the service (such as the design, building and operation of services).

The TIM Group is also a leader and has a unique position in the provision of services for public administration, with approximately 25,000 clients and a consolidated market share with respect to connectivity services and IT services in Italy as of December 31, 2023. Consolidating itself as a pioneer company in the country’s digital transformation process, the TIM Group has taken on a key role in the implementation of the NRRP, with particular reference to the National Strategic Hub works to which more than 300 public administrations have already adhered, thus representing a fundamental axis in the national strategy for the digitization of the Italian public administration sustained by approximately €2 billion NRRP Mission 1 funds. Moreover, the TIM Group has started the deployment of LTE Public safety mobile services which was awarded to TIM by the Italian Public Security Department in 2022.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare) as well as the importance of local relationships and proximity to customers. The TIM Group is one of the largest local players in this highly fragmented market, in which it believes scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT Services in business operations which the TIM Group expects to result in IT Services spend in Italy becoming more recurring and resilient in the face of future market downturns and less correlated to macroeconomic trends.

Following the successful implementation of the Delaying Plan, the TIM Group is expected to further capitalize on its leading positions across its served markets through a highly resilient business model partly due to its ability to offer full-service solutions (including mobile voice, landline voice and fixed broadband) and leverage its own mobile infrastructure, the portion of fixed-line infrastructure which is not included in the NetCo’s Business and NetCo’s fixed-line infrastructure through the Master Services Agreement. See “—Summary—The Transactions—Master Services Agreement” for further information.

The TIM Group has a set of valuable assets, from a top brand, to unique telecommunications and IT infrastructure and know-how and is a dedicated customer service provider.

The TIM Group leads its competitors across a number of key attributes, including its valuable assets, all equipment and infrastructure components and know-how, comprising its extensive and reliable mobile network with one of the largest spectrum portfolios in Italy, all supported by its top brand and dedicated customer service functions.

Top Brand and Know-How

The TIM Group benefits from strong brand recognition in the telecommunications industry in Italy, with a brand awareness of approximately 65% and a top-of-mind awareness, to June 2023, at approximately 43% among a consumer target population representative of the broader Italian population according to MPS Research – Brand Image & Reputation Study – June Report. The TIM Group’s leading market positions in Italy in fixed and mobile retail and mobile wholesale markets further underscore the strength of its brands among Italian consumers. The TIM Group is also well advertised throughout Italy, partnering with popular music events, key personalities and opinion leaders, such as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to maintain its brand positioning across different target groups and industries.

The TIM Group’s top brand is underpinned by its best-in-class technology and know-how. As a fully convergent player in both the business-to-business and business-to-consumer connectivity and service platform, the TIM Group is expected to leverage its extensive and reliable mobile network as well as its future partnership with NetCo to offer a suite of fixed and mobile line services, including 5G, 4G, TV and games, as well as IT services, including cloud, security, AI and IoT. See “—*The Transactions—Master Services Agreement.*”

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. As part of the Delaying Plan, the TIM Group will invest in various technology advancement initiatives which are expected to allow it to possess the most distinctive digital and telecommunication infrastructure in Italy. In particular, as of December 31, 2023, the TIM Group has provided 30.1 million mobile lines (including both “human” SIM and Machine to Machine (“M2M”)) and 8.0 million fixed-line retail lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

Furthermore, following the successful implementation of the Delaying Plan, the TIM Enterprise business area will be an infrastructure-based ICT player in Italy in light of its assets base, which spans from telecommunication assets to the largest proprietary data center footprint in the country, with 16 data centers, of which seven were “top tier,” as of December 31, 2023. Over recent years, the TIM Group has deployed significant investments and has developed specific expertise in leading technologies and solutions. The TIM Group expects that the TIM Consumer business area will own a proprietary backbone in strategic areas, with a mobile virtual network operator agreement within the consumer segment, which will guarantee participation in tenders requiring a proprietary backbone and a mobile core network and to offer flexibility to match client requirements.

Customer service

The TIM Group is dedicated to customer service and maintaining strong relationships with its loyal customer base. In particular, the TIM Group has invested considerably in recent years to improve its customer service, which has resulted in better customer experiences and reduced churn rates. These improvements reflect the TIM Group’s focus on better services and the shift to a more digital customer service model. High customer satisfaction is further underpinned by the TIM Group’s extensive customer data, a unique combination of digital and physical channels service and a reliable customer service platform. Specifically, the TIM Group benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top ten clients. These longstanding relationships are underpinned by its end-to-end solutions and experienced employee base who provide deep institutional knowledge. The TIM Group deploys a significant amount of resources to attract, maintain and train its employees, project managers and digital and technology specialists. The TIM Group generally has a low turn-over among its employees and believes that its strong commitment to training, together with its reputation as of one of the leading independent players, will allow it to continue to attract and retain skilled employees.

The TIM Group's cutting-edge mobile infrastructure will be further strengthened by the TIM Group's ongoing future-proofing investment program.

The TIM Group's 5G network is among the fastest in Europe in terms of download speed according to Opensignal. The TIM Group's 5G has reached 2,300 municipalities as of December 31, 2023, with service already available in each of them (in Milan, the TIM Group's 5G has reached over 90% coverage), with capex-efficient deployment benefitting from the sharing of network infrastructure with Vodafone. The TIM Group has provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy as of December 31, 2023. The TIM Group has also entered the world's top 30 companies for having enabled an improvement in the switch from the 4G to the 5G network in terms of download and upload speeds as well as in the spread of videos and gaming experience. Moreover, as of December 31, 2023, the TIM Group's 4G network covered over 99% across Italy, marking the highest level recorded in Italy. Such extensive coverage has been maintained since 2018, following a steady increase from approximately 88% in 2015, approximately 96% in 2016 and approximately 98% in 2017. With this rapid expansion of 4G network coverage, the TIM Group believes that it is well positioned to satisfy the growing market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation mobile infrastructure through significant investments over time, it remains committed to further developing and future-proofing its mobile network with the support of NRRP funds by investing in the latest network technologies. In particular, the TIM Group intends to continue updating and expanding its mobile network, which it expects to significantly expand 5G coverage to approximately 90% across Italy by 2025 in line with its 5G 700 MHz licensing obligations and increase its high-speed mobile data capabilities to over 50% of the population with 3.7 GHz. The TIM Group's 5G expansion is underpinned by its valuable spectrum rights acquired in 2018. In the 2018 multiband spectrum auction, TIM has obtained significant spectrum rights on all available frequencies in the 700 MHz and 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700 MHz, 1x80 MHz in 3.6-3.8 GHz and 1x200 MHz in 26.5-27.5 GHz), further consolidating its leading role in the sector. These 5G spectrum rights expire in 2037. Moreover, in the future, the TIM Group will gradually be able to use its 4G frequencies (including its 800 MHz, 1800 MHz, 2100 MHz and 2400 MHz bands) for 5G.

The TIM Group believes that its investment plans uniquely position it to meet customer demand for high speed services, as well as providing the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services and deliver its primary goal of having the best mobile network for its customers. The TIM Group believes that the growth in data traffic will increase utilization of its mobile network and, given the planned quality and reach of its network, the TIM Group expects this will enable it to further differentiate its network in the medium term. The ongoing investment program benefits from government support under the NRRP for the "5G coverage," connected healthcare and connected schools initiatives.

The Brazil Business Unit benefits from next-generation telecommunication infrastructure, driving strong growth, profitability and cash flow generation.

The TIM Group entered the Brazilian market more than 20 years ago. Through the Brazil Business Unit, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products in Brazilian market.

The Brazilian telecommunications market offers attractive fundamentals as one of the largest consumer markets with approximately 255 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 47 million fixed lines, as of November 30, 2023. Moreover, the Brazilian telecommunication market is expected to enjoy a cycle of ARPU growth after years of competitive tension due to the consolidation of operators from four to three following the Oi acquisition. The TIM Group believes that it is well positioned to benefit from this growth, underpinned by its acquisition of Oi mobile assets, which completed in 2022. The TIM Group believes that the Brazilian market offers strong growth and expects the Brazil Business Unit to be able to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and accelerate the migration from FTTC to FTTH to drive network quality in order to outgrow the market.

The Brazil Business Unit benefits from next-generation telecommunication infrastructure distributed throughout Brazil. Its mobile network covers areas in which approximately 99% of the Brazilian urban population lives and works

(4G urban population coverage). According to ANATEL, as of November 30, 2023, the Brazil Business Unit had approximately a 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. The Brazil Business Unit is one of the most profitable group of companies in the Latin American telecommunications market achieving leadership among its peers.

Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.

The TIM Group is a leading and historically profitable company. On the key profitability metric of Organic EBITDA margin, the TIM Group is among the top performers in the Italian market with an Organic EBITDA margin of approximately 39% for the year ended December 31, 2023, slightly better than comparable European peers with an average Organic EBITDA margin of approximately 37%, according to TIM's management's analysis of publicly reported financial statements.

The TIM Group generated an Organic EBITDA-AL of €5,304 million for the year ended December 31, 2023 and €3,450 million for the year ended December 31, 2022, after giving pro forma effect to the Transactions. See "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group.*" Moreover, the TIM Consumer and TIM Enterprise business areas, are expected to benefit from structural resiliency in the Italian market, allowing for increased predictability as well as profitability.

The TIM Group believes that its resilient profitability profile is a direct result of its focus on cost optimization and organizational efficiency, which it expects to be further underpinned by the Transformation Plan (as defined below) as well as a prudent capital expenditure policy. Specifically, the TIM Group's Transformation Plan (as defined below) includes long-term targets regarding savings on labor and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labor and cost optimization. See "*The TIM Group's Strategy—Transformation Plan*" for more details.

In addition to ongoing cost-saving initiatives, the mobile and fixed markets are now showing clearer signs of market rationality on price. The fixed churn rate has been stable, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1% and 1.1% for the year ended December 31, 2022 and December 31, 2021, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1 and 1.2% for the year ended December 31, 2022 and December 31, 2021, respectively. Additionally, for the year ended December 31, 2023, compared to the year ended December 31, 2022, the TIM Group's net adds improved and consumer fixed ARPU (net of activation fee) increased by 4.1%.

The TIM Group had selectively repriced 4.3 million fixed lines and 2.1 million mobile lines between January and March 2023, which the TIM Group believes would have achieved significant revenue upside for the year ended December 31, 2023, in comparison to year ended December 31, 2022. At the same time, the market has introduced inflation indexed tariffs, further aiding price rationality. Such price rationality translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. The TIM Group's "more for more" proposition involves repositioning the customer base for higher value deals by providing them more value in terms of calls, data and content for the price paid.

In relation to wholesale tariff pricing, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

Highly accomplished management team, committed to deleveraging with proven track record of delivery.

The TIM Group benefits from a highly accomplished and experienced management team, led by its CEO, Pietro Labriola, who was appointed as general manager in November 2021 and then appointed as CEO in January 2022 and brings over 20 years of experience at the TIM Group including as the former CEO of TIM Brasil where he transformed TIM Brasil from a newcomer to a market leader. Under Pietro Labriola's leadership, the Brazil Business Unit has successfully evolved from a newcomer with an EBITDA margin of approximately 34% as of December 31, 2016, to a market leader with an EBITDA margin of 46% margin for the year ended December 31, 2022. The TIM Group's senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy, Business

Development & Wholebuy Officer, Elio Schiavo as Chief Enterprise and Innovative Solutions Officer and Andrea Rossini as Chief Consumer, Small & Medium and Mobile Wholesale Market Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience. See “*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business Activity and Industry—Any changes in the TIM Group’s directorship and/or senior management could adversely affect the TIM Group’s business.*”

The TIM Group’s management team is seasoned in running, acquiring and staffing telecommunications businesses and in navigating consumer markets both in Italy and abroad, and they leverage the expertise they acquired over decades of combined experience at top-tier telecommunications companies such as Telecom Argentina, Wind Telecomunicazioni, Wind Tre, Apple and Vodafone. More importantly, the management team has a strong track record of delivering growth from both organic initiatives and strategic acquisitions and has won and maintained strong stakeholder support while maintaining a strong debt capital structure. This industry-leading management team is supported by a deep bench of divisional managers.

The TIM Group’s management brings a strong commitment to deleveraging the group, both organically and through the strategic options created by the Delaying Plan, as discussed under “—*The TIM Group’s Strategy—Delaying Plan.*” The TIM Group’s management has also enacted the Transformation Plan (as defined below) with ambitious cost-cutting targets, and for the year ended December 31, 2023, management has achieved approximately €800 million of savings. See “—*The TIM Group’s Strategy—Transformation Plan*” for more details.

The TIM Group’s Strategy

The TIM Group’s strategy embeds two distinctive features, the Delaying Plan and the Transformation Plan (as defined below), as further described below.

Delaying Plan

The Implementation of the Delaying Plan

On March 3, 2022, the TIM Group conceptually approved a plan to reorganize its business segments with the aim of separating its national fixed-line access network infrastructural assets and shifting from its existing business model to a new more horizontal structure encompassing four business areas, one of which, TIM Brasil, would be dedicated to the Brazilian market. The remaining three areas would be: TIM Enterprise, TIM Consumer and a business area comprising also certain network assets, including the entire mobile network, the national backbone and data centers (the “**Delaying Plan**”). On July 6, 2022, the board of directors of TIM (the “**Board**”) approved the Delaying Plan (the “**2022-2024 Industrial Plan**”). On February 14, 2023, and on March 6, 2024 the Board approved the continuation of the Delaying Plan for the periods 2023-2025 (the “**2023-2025 Industrial Plan**”) and 2024-2026 (the “**2024-2026 Industrial Plan**”), respectively.

The purpose of the Delaying Plan is both “industrial,” which translates into unlocking growth and achieving better operational results and “financial,” with a specific attention to efficiencies and funding the investments that will increase the value in the medium to long term, the valorization of long-term assets and debt sustainability. To pursue these objectives, the TIM Group seeks to substantially reduce its net leverage and achieve a long-term sustainable capital structure. The TIM Group’s strategy to achieve such goals includes utilizing of cash proceeds from corporate transactions and engaging in deleveraging activities, such as the one contemplated in this Exchange Offer Memorandum. Accordingly, on November 6, 2023, the Board entered into the Transaction Agreement to give effect to the Transactions. See “—*The Transactions.*”

In addition, the TIM Group maintains a high degree of flexibility to explore additional cash-in options in order to maximize value for the TIM Group and its stakeholders and believes that it is well equipped to navigate the challenging and volatile market conditions.

The implementation of the Delaying Plan is expected to facilitate each of the new business areas pursuing their own focused strategy

The TIM Group operates in a highly regulated and competitive market. See “*TIM Group Regulation*” and “*TIM Group Industry Overview*” for further information. In particular, the new TIM Consumer, TIM Enterprise and the existing

TIM Brasil business area will operate in distinct markets, responding to different competitive dynamics and business trends with tailored strategies. The Delaying Plan is set to facilitate the business reorganization of the TIM Group around such new business areas and the implementation of their focused strategies. Accordingly, such organizational refocusing will allow management to operate on clear and business-specific KPIs to measure success in order to facilitate efficient management and improved capital allocation, in order to shorten the path to yet a more satisfying cash generation.

In particular, the TIM Consumer business area, is expected to follow a more focused path with a goal of increasing the perception of a premium and highly reliable telecommunications operator, seeking to benefit from pricing flexibility and planning to be ready for in-market consolidation opportunities. On the other hand, the TIM Enterprise business area is expected to drive the TIM Group's innovation path, intended to confirm it as a unique integrated ICT provider. The TIM Group, through its TIM Enterprise business area, aims to cater to blue-chip companies and the Italian public sector by offering bespoke B2B solutions and proprietary products.

Although not directly impacted by the Italian delaying strategy, activities in Brazil will continue to leverage the additional infrastructure and spectrum obtained through the Oi acquisition, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality. Through the Oi acquisition, the TIM Group has improved scale, new revenue generation opportunities, higher efficiency mainly due to additional spectrum and opportunities to capture value from infrastructure overlap.

The Delaying Plan is expected to bring regulatory relief

Following the successful completion of the Transactions, the TIM Group expects to benefit from an easing of its current regulatory obligations. AGCOM is expected to classify NetCo as a wholesale-only operator. However, it is uncertain whether such favorable decision will be adopted by AGCOM. Such a classification, if given, will result in improvements to the regulatory environment for the TIM Group in the Italian market, enabling it to compete on a level playing field with other market participants under applicable competition laws.

In particular, the TIM Group expects that, as a result of the Transactions, its current obligations to offer retail access prices replicable by competitors and to submit new retail offers to AGCOM for prior approval will no longer apply to the TIM Group's future retail offers, thereby allowing it to shape commercial offering on more competitive terms. For additional information, please see "*TIM Group Regulation*." Therefore, the TIM Group believes it is strategically positioned to leverage this prospective regulatory change and to implement its pricing strategies with greater autonomy. Moreover, the discontinuation of AGCOM's *ex ante* approval process is expected to boost the TIM Group's ability to quickly adapt to market demands, leading to a more rapid introduction of new services and promotional activities, effectively enhancing its time to market.

The implementation of the Delaying Plan is expected to bring competitive efficiencies

Following the completion of the Transactions, the TIM Group will transition to a smarter asset model, maintaining direct ownership and control over key infrastructure such as, among others, its mobile network, data centers and IP backbone, while providing fixed-line services to retail customers through wholesale access services from NetCo. Such smart asset model is expected to provide the TIM Group with a strategic flexibility while maintaining access to the required infrastructural asset base.

In the mobile retail market, the TIM Group's key strategic assets (such as, among others, the IP backbone, transport and spectrum coverage), are expected to serve as a significant competitive edge over its main competitors. These assets are fundamental for scaling up 5G services. The IP backbone, in particular, is a critical competitive asset for maintaining performance next-generation mobile network that integrates edge computing and cloud technologies. Additionally, the TIM Group's superior spectrum holdings are key to deliver high-quality service. The synergy of these assets positions the TIM Group to effectively pursue strategies aimed at enhancing the value of its customer base.

In the fixed retail market, the TIM Group's activities in fixed-line services are expected to be sustained through the strategic divestment of those assets concerning its fixed-line network which are contemplated by the Transactions. This maneuver is complemented by a contractual arrangement with NetCo (i.e. the Master Services Agreement), a draft of which is attached to the Transactions Agreement and will be signed on the Acquisition Closing Date.

In particular, the TIM Group will provide, among others, the following services to NetCo pursuant to the Master Services Agreement: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT "business support systems" supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. On the other hand, NetCo will provide, among others, the following services to the TIM Group: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end customers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia) and (vi) other minor services. Accordingly, following the Transactions, the TIM Group is expected to benefit from, among other things, the extended duration of the Master Services Agreement. For further information regarding the Master Services Agreement, please see "*—The Transactions—Master Services Agreement.*"

As part of the Delaying Plan, the Transactions will allow the TIM Group to significantly delever

Following the successful completion of the Transactions, the TIM Group is expected to significantly delever. The strategic asset dispositions alongside the successful completion of the Exchange Offers, both as contemplated by the Transactions, are expected to contribute substantially to the reduction in the net leverage of the TIM Group, setting the stage for a new phase of debt sustainability. After giving *pro forma* effect to the Transactions, the TIM Group's Adjusted Net Financial Debt-AL would have decreased by €13,768 million to €6,581 million.

The TIM Group's Adjusted Net Financial Debt-AL and Ratio Adjusted Net Financial Debt-AL to Organic EBITDA-AL were €20.3 billion and approximately 3.8x for the year ended December 31, 2023, respectively.

The TIM Group believes that following the Transactions it will benefit from increased financial flexibility and be able to align its net leverage ratio with best-in-class peers, thereby enhancing its competitive position.

See "*Presentation of Financial and Other Information—TIM Audited Consolidated Financial Statements*" and "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.*"

The implementation of the Delaying Plan is expected to allow the TIM Group to have strategic flexibility

The successful implementation of the Delaying Plan is expected to grant the TIM Group enhanced strategic flexibility, enabling it to swiftly pursue growth initiatives, both organic and inorganic, within its new organizational model, including, for example, inorganic growth in ICT services to enterprises in the areas of cybersecurity and artificial intelligence. This strategic adaptability is expected to empower the TIM Group to capitalize on emerging market opportunities, streamline operations and foster innovation across its new and reshaped business. By reorganizing its structure, the TIM Group aims to position itself to respond more effectively to the dynamic telecommunications landscape, drive efficiency and optimize its asset portfolio to support sustained growth and value creation.

The new business areas set forth under the Delaying Plan: TIM Enterprise, TIM Consumer and TIM Brasil

For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €6.2 billion, €3.4 billion, €1.0 billion and €4.4 billion in revenue respectively. These figures consider the effects of Master Services Agreement and Transitional Services Agreement as well as intercompany agreements between TIM Consumer, TIM Enterprise and Sparkle, amounting €0.4 billion between TIM Consumer and TIM Enterprise and €0.2 billion between Sparkle and other domestic entities within the TIM Group. For the same period, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €1.1

billion, €0.7 billion, €0.1 billion and €1.6 billion of Organic EBITDA-AL and would have incurred in €1.0 billion, €0.3 billion, €0.1 billion and €0.8 billion of Capital Expenditures, respectively.

However, in the TIM Audited Consolidated Financial Statements and in this Exchange Offer Memorandum, the TIM Group presents its financial and operating information per the business units and segments in the manner described under “—TIM Group Business Units.” See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Operating Segments” for more details. As such, in this Exchange Offer Memorandum, the TIM Group does not present its business in terms of the new organizational model.

TIM Enterprise

The TIM Enterprise business area will be the only full ICT provider in the domestic market capable of providing fixed and mobile connectivity, cloud, cyber security and IoT solution swill benefit from a strong position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment, providing the following end-to-end ICT offerings:

- *Managed and professional services:* This will include change assessment, cloud migration and cost optimization, and running deployment, systems and application management, full outsourcing, managed audit and billing and managed security and governance.
- *Solutions:* This will include cloud solutions for modern workplace, customer experience, modern and enterprise applications, digital marketplaces and trusted services. It will also include security solutions for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT solutions.
- *Cloud infrastructure:* This will include TIM Cloud, Google Cloud, Edge Cloud and other third-party clouds.
- *Data center and Edge:* This will include data center offerings as well as TIM Edge.
- *Network:* This will include providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line retail market and providing 2G, 4G, 5G, human and M2M, device and technical assistance offering, and 5G private network offerings in the mobile market.

The TIM Enterprise business area will be one of the leading ICT providers for large enterprises, employing 5,300 people with over 2,000 different types of certifications, of which over 1,500 employed in pre-sales, sales and post-sales. Moreover, the TIM Enterprise business area will hold a leading market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2M network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device.

The TIM Enterprise business area will also benefit from its market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes held by the TIM Group). The IT services market can be segmented by the type of skills that are employed to deliver the service, such as the design, building, and operation of services.

The TIM Enterprise business area will also be a leader and will have a leading position in the provision of services for public administration, with approximately 25,000 clients.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare), the importance of local relationships and proximity to customers. The TIM Enterprise business area will be one of the largest local players in this highly fragmented market, in which scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence

will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which the TIM Group expects to result in IT services spend in Italy becoming more recurring and resilient in the face of future market downturns and less correlated to macroeconomic trends.

The TIM Enterprise business area will have clear and distinctive competitive advantages to gain from expected market momentum, including: (i) an unmatched offering in the Italian market, (ii) an owned mobile core network, (iii) 16 directly owned data centers, of which seven were “top tier,” as of December 31, 2023 and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of the TIM Group’s top 10 clients of more than 20 years, as of December 31, 2023), with an average contract duration of approximately three years, (ii) an unparalleled asset base with 16 proprietary data centers, (iii) a proprietary backbone in strategic areas with a dedicated assets and access to a broader network, (iv) a customer base exceeding 33,000 clients and (v) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft, Fortinet, Cisco and VMWare makes the TIM Enterprise business area the natural reference point for many large enterprises and public bodies that seek to streamline their telecommunication and IT infrastructure, ideally with a single counterparty providing seamless end-to-end services. With core data services increasingly integrated with cloud, IoT and security solutions, the TIM Group believes that this convergence can only continue. The TIM Enterprise business area is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business area, the TIM Group’s management is developing an integrated go-to-market approach between the historically and separately managed brands of the TIM Enterprise business area, including Noovle, Telsy and Olivetti. A scaled-up combined product factory will end historic fragmentation between the brands, thereby creating potential for synergies and capacity for new proprietary capabilities due to fully integrated end-to-end product capabilities. The TIM Group’s primary focus is on the continuing acquisition of scale, focusing on proprietary products and a public administration cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one off restructuring costs and expanding its data centers footprint for improved offerings.

The TIM Enterprise business area is expected to benefit from sustainable growth, underpinned by a further expansion in the ICT market, the optimization of key assets, ensuring more efficient operations and a shift in its operating model, aiming to insource certain external capabilities. In particular, the key features of TIM Enterprise business area’s operating model are expected to be as follows:

- centralized corporate sales and account management involving a single point of contact to engage with customers in order to better identify needs and explore opportunities;
- integrated marketing and solution development, by industry and top clients;
- specialized pre-sales, with product-focused pre-sales specialists supporting account managers during sales process;
- vertical product management, with product-focused business and technical requirement identification to steer competence center development;
- integrated delivery project management with specialized project management for project delivery coordination;
- vertical delivery specialists with product-focused experts responsible for single product delivery;
- integrated research and development to setup common standards and methodology;
- product-specific competence centers to develop internal IP from product management inputs;
- integrated technical practices for management of key partners’ technology solutions;

- integrated managed services for infrastructure;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Group believes that these measures will result in (i) higher revenues generated by the activities within the TIM Enterprise business area, including revenues generated by ICT services, (ii) significantly increased cash conversion and (iii) optimized capital expenditures as well as operational costs.

TIM Consumer

The TIM Consumer business area will be the leading fixed and mobile services provider in the consumer and Small and Medium Business retail market in Italy. To support its operations, the TIM Consumer business area will continue to rely on the direct ownership of its mobile infrastructure, data centers and backbone and further equipment and infrastructure components (not included in the NetCo Business) and will utilize fixed-line wholesale access services from NetCo through the bespoke and flexible Master Services Agreement.

The TIM Consumer business area will continue to operate in a competitive environment. In order to address these challenges, the TIM Group's management is implementing a recovery strategy. The main goal of the TIM Group is to transform its TIM Consumer business area into an agile, efficient and commercially flexible premium and highly reliable business with a shift in strategy, from volume to value. The Delaying Plan will enable the TIM Group's management to focus on end-to-end responsibility for the entire business, with full accountability for the implementation of the strategy. The TIM Group also expects that delaying will enable higher commercial flexibility by lifting price-replicability and allowing a level playing field with competitors.

As part of the transformation, the TIM Consumer business area has focused on activities that delivered value in the short term both in terms of costs and top line such as a successful implementation of a brand repositioning and pricing redesign, improvised organizational structure and capital expenditure and IT demand optimization. The TIM Consumer business area will continue to focus on striving for sales excellence and data-driven customer value management, providing turn-key ICT solutions for Small and Medium Businesses.

As near-term goal, the TIM Group aims at stabilizing the customer base within its TIM Consumer business area through a turnaround plan. This strategy entails, among other things, reduced churn, with gradual ARPU increases through a "more for more" proposition, a restructuring of its current content strategy and the TIM Vision platform, the optimization and digitalization of the current channel mix and higher FTTH/5G uptake which should provide opportunities for improved pricing and up-selling.

As a long-term objective, following expected market and revenue stabilization, the TIM Group believes that TIM Consumer business area will be able to enhance its performance by expanding beyond connectivity services, thereby broadening its scope from a telecommunication operator to a customer platform business. This strategy involves evaluating new business potentials and defining a go-to market approach. Growth prospects include a more distinct differentiation of entertainment services alongside a restructuring of its content strategy to prioritize profitability. This strategy will pivot towards a new business model that focuses on distributing content from leading third-party providers like Netflix, Apple TV and Disney⁺ on a revenue-sharing basis, thereby requiring minimal investment. The TIM Group also plans to enrich its 5G and ICT portfolio and advance its data-driven strategy. Furthermore, the TIM Group plans to broaden its current offering scaling up certain of its existing products and services, including media and insurance services, as well as expanding on new high-value services, including consumer finance, health and education. These initiatives are designed to lay the foundation for sustainable growth, anchored in high-quality service positioning and a compelling digital service offering.

The TIM Group believes that its TIM Consumer business area will have the opportunity to capitalize on its unique asset portfolio and capabilities to increase its organizational efficiency and support its consumer platform strategy and partner attraction. In particular, the TIM Group expects to benefit from: (i) a robust customer base, rooted in longstanding relationships with a significant portion of households and enterprises, complemented by comprehensive subscriber data, (ii) a widespread sales channels capillarity across major Italian cities, efficient call centers and a strong online presence, (iii) a well-established and reputable brand, ranking among the top ten most valuable brands in Italy

and the leading among Italian telecommunications operators and (iv) a meticulously structured customer interaction system, ranging from widespread presence throughout Italy to more personalized engagement for specific interactions, such as billing relationships and home access via set-top-box. The strengths of the TIM Consumer business area are expected to underpin continued growth and help maintain its competitive position in the market. These advantages are essential for the unit to respond effectively to evolving consumer needs, leveraging technological advancements and capitalizing on its strong market presence to secure ongoing success and a leading role in the industry.

TIM Brasil

The TIM Brasil business area aims at becoming the next generation telecommunications operator driving the digitalization of Brazil, distinguished by offering superior service and network quality and committed to providing a fully differentiated and reliable suite of services in order to deliver superior and sustainable value to its shareholders. TIM S.A., a 67%-owned listed subsidiary of the TIM Group, is already among the most profitable telecommunications companies in Latin America and leads its peers with a free cash flow yield of approximately 10.3% for the year ended December 31, 2023. TIM Brasil business area will continue to operate in a large, increasingly attractive and growing market, which has benefited from recent consolidation from five to three mobile operators (including TIM S.A.'s integration of part of Oi), a healthy regulatory environment, continuous growth in addressable customer base and the favorable effects after reduction of the Brazilian turnover tax ICMS from 28% to approximately 20%-22% for the years ended December 31, 2022 and 2023, respectively. The TIM Brasil business area is uniquely positioned to become the preferred telecommunications operator in Brazil, offering leading value propositions in markets driven by value. In particular, the TIM Brasil business area has received several recognitions within the industry, including being the first operator to provide 4G connectivity across all 5,570 Brazilian cities and delivering innovative services through strategic partnerships with key industry players. See “*Business of the TIM Group*” and “*TIM Group Industry Overview*”

The TIM Group's strategy for its TIM Brasil business area aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage, the migration of FTTC to FTTH technology as well as a prudent capital allocation and expenditures. The strategy is further bolstered by the competitive advantage of operating in a market characterized by fragmentation and the presence of numerous regional players as well potential opportunities in the business-to-business IoT market. Benefits to efficiency and scale are expected to originate from the ongoing integration of Oi operations, which is currently subject to one-off operation expenditure and capital expenditure as part of the integration. Further growth opportunities targeted by the TIM Brasil go beyond the core business with the ambition to become a full vertical orchestrator of B2B and IoT services, in partnership with industry leaders.

Transformation Plan

In addition to the Delaying Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the “**Transformation Plan**”) covering TIM Consumer business area and TIM Enterprise business area (collectively, the “**TIM Domestic business area**”). As of December 31, 2023, TIM Domestic business area generated approximately €1.1 billion of total savings, of which approximately €0.7 billion were operating expenditure savings and approximately €0.4 billion were cash cost, respectively. This was achieved mainly through, among other things: (i) a hourly reduction involving more than 70% employees, (ii) voluntary exits of approximately 0.6 thousand employees, (iii) a company-wide insourcing program, reskilling about 1.1 thousand employees, (iv) energy initiatives, (v) an optimization of approximately 200 thousand square meters premises, (vi) a reduction of approximately 18% year-over-year of human calls in its customer care operations and (vii) a dismantling of approximately 14 thousand public payphones.

Following the targets and objectives achieved between 2022 and 2023 under the Transformation Plan (the “**First Wave**”), the TIM Group is further committed to continuing its transformation journey, setting forth new targets for the 2024-2026 period (the “**Second Wave**”).

The Second Wave is founded on two key transformation pillars. Specifically, the TIM Group aims to (i) continue streamlining its cash cost baseline by simplifying and right-sizing cost structures, ensuring clear and full cost accountability and (ii) reassess its processes and operating models across all group companies, with a particular focus on advancing the TIM Group's digital capabilities, processes, and operating models. The TIM Group anticipates that these measures will help mitigate total cash cost increase associated with the expected shift in revenue mix. The TIM

Group believes that such strategy will allow it to mitigate the expected cost increases resulting from the expected shift in revenue mix, from higher-margin connectivity services to lower-margin ICT and multimedia services. In particular, the TIM Group is expected to focus on a series of high-impact initiatives:

- *People re-skill and insourcing:* The TIM Group is committed to launching a new company-wide insourcing program aim at internalizing current external activities, leveraging internal skills and capacity. This initiative is expected to enhance market responsiveness, reduce external costs and improve margins.
- *End-to-end Processes:* This initiative focuses on digitalizing and automating critical, human-intensive business processes throughout the TIM Group through the implementation of advanced technologies, such as AI. The goal is to simplify and enhance operations and streamline costs, ultimately accelerating revenue generation.
- *Customer Care:* This initiative aims to reduce human interactions by offering targeted interactions and a wider suite of digital customer care alternative, such as a dedicated mobile app and voicebot. The TIM Group expect to capitalize on the reduction of external costs related to outsourced activities and enhance its customer engagement.
- *Multi-product Sales Channels:* In addition to ongoing channel mix and cost optimization activities, this initiative aims to leverage the TIM Group's existing channels to lower per-unit acquisition costs by offering a broader range of products and services, such as insurance and energy.
- *Mobile Network:* This initiative aims to implement a new data-driven approach which prioritizes sites that offer a higher return on investment and optimize capital expenditures allocation. The TIM Group believes that such initiative will expedite the rollout of the 5G network and close the competitive gap with its competitors.
- *IT:* This initiative aims to enhance productivity by adopting a new operating model that leverages strategic partnerships with key partners.

The assumptions used in estimating total savings, including the components of such estimates and the steps to be taken to realize such savings and the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transaction and the implementation of the Delaying Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic, competitive and legal risks and uncertainties. The TIM Group cannot assure investors that the information on which it has based its assumptions will not change or that it will be able to realize any of the as-yet unrealized cost savings or benefits it believes are possible based on the TIM Group's management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transactions, the Delaying Plan and the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transactions, the Delaying Plan and the Transformation Plan will be effective or that the savings targets or the expected benefits presented herein will be achieved in whole or in part.

For further information, please see “*Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's business will be adversely affected if the TIM Group is unable to successfully implement its strategic objectives and factors beyond its control may prevent it from successfully implementing its strategy,*” “*Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs*” and “*Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group's business, financial condition and results of operations.*”

TIM Group Business Units

For the year ended December 31, 2023, the TIM Group conducted its business through three business units: the Domestic Business Unit, the Brazil Business Unit and the Other Operations Business Unit. However, as part of the Delaying Plan, the TIM Group is currently planning the reorganization of its business, which will account for

contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delaying Plan, the resulting business areas are expected to be: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. See "*—The TIM Group's Strategy—Delaying Plan*" and "*—The TIM Group's Key Strengths*" for further information.

For the year ended December 31, 2023, the Domestic Business Unit and the Brazil Business Unit represented approximately 73% and 27% of the TIM Group's revenue, respectively. The operations of each of the TIM Group's three reportable business units are described below.

Domestic Business Unit

As of December 31, 2023, the operations of the Domestic Business Unit included:

- providing voice and data services on fixed-line and mobile networks for customers and wholesale operators in Italy;
- providing international voice, data and Internet services for fixed-line and mobile telecommunications operators, Internet service providers ("**ISP**") or access service providers ("**ASP**") (in the wholesale market) and to multinational companies through the networks available to it;
- managing the development of fiber optic networks for wholesale customers;
- supplying passive access services to the secondary copper and fiber networks;
- providing cloud and edge computing solutions;
- providing information technology products and services; and
- providing other support services.

As of December 31, 2023, the TIM Group's Domestic Business Unit operated through five segments:

Consumer and Small Medium Business ("**SMB**")

The Consumer and SMB segment comprises all fixed and mobile voice and Internet services and products for non-business customers (including public telephony, caring activities and administrative management of customers), Small and Medium Enterprise ("**SME**") customers and Small Office Home Office ("**SOHO**") customers. This segment also includes the TIM Retail company, which coordinates the activities of physical stores.

Enterprise

The Enterprise segment consists of ICT solutions and connectivity products and services managed and developed for top customers, public sector customers and large accounts. The Enterprise segment includes the following entities: Olivetti, TI Trust Technologies, Telsy and Noovle.

Wholesale National Market

The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNOs which do not own their own radio spectrum or wireless networks. The Wholesale National Market includes the following entities: TI San Marino and Telefonía Mobile Sammarinese.

Wholesale International Market

The Wholesale International Market segment includes the activities of the Telecom Italia Sparkle group, which provides international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs, ASPs

(in the wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

Other

The Other segment includes:

- *Other Operations:* Other Operations includes technological innovation and development, engineering, construction and operating processes for network infrastructures, IT systems and properties and all services of FiberCop; and
- *Staff & Other:* Staff & Other includes services provided by the staff departments and other support activities.

Brazil Business Unit

The Brazil Business Unit is engaged in providing mobile services using universal mobile telecommunications systems, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching as well as residential broadband services.

The Brazil Business Unit has developed a comprehensive service portfolio catering to both consumer and corporate clients, including small, medium and large enterprises. Beyond traditional mobile voice and data offerings, TIM Brasil is expanding into fixed ultrabroadband services and exploring innovative revenue streams in emerging and adjacent markets, such as financial services, mobile advertising and IoT. The Brazil Business Unit enhances its customer offerings with additional services and digital content, augmenting mobile device functionality. This extensive portfolio management enables the creation of customized packages and convergent offers in select regions.

At the same time, TIM Brasil is embracing business transformation, venturing into new markets and seizing opportunities beyond its traditional core operations. Key initiatives to achieve the TIM Group's vision for its Brazil Business Unit are summarized below:

- Striving to be recognized as Brazil's best mobile operator by improving services and offers, thereby enhancing customer experience;
- Accelerating growth through an asset-light broadband model, focusing on the migration of FTTC customers to FTTH, in addition to expanding its presence through partnerships;
- Broadening its B2B and IoT technology footprint, leveraging strategic initiatives to tap into anticipated market growth, with a particular focus on 5G opportunities;
- Strengthening its strategic partnerships to boost value creation, where TIM Brasil already collaborates with industry leaders and continues to pursue new business prospects; and
- Pursuing fixed broadband opportunities by capitalizing on growth in the ultrabroadband market through innovative financial and business models.

Other Operations Business Unit

The Other Operations Business Unit includes ancillary operations of the TIM Group, including financial operations.

TIM Group Operational Data

The following tables show the TIM Group's historical operating data for the periods presented. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*" for more details.

Domestic Business Unit: Fixed

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Total TIM Retail accesses	7,975	8,290	8,647
of which Next Generation Networks (“NGN”) ⁽¹⁾	5,580	5,417	5,186
Total wholesale accesses.....	7,247	7,525	7,729
of which NGN.....	5,280	5,171	4,819
Active broadband accesses.....	7,196	7,443	7,733
Consumer ARPU (€/month) ⁽²⁾	28.1	28.3	30.1
Broadband ARPU (€/month) ⁽³⁾	38.1	35.6	33.4

- (1) Ultrabroadband access in FTTx and FWA mode, also including “data only” lines and Gigabit Ethernet.
- (2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
- (3) Revenues from organic Broadband services in proportion to the average active TIM retail Broadband accesses.

Domestic Business Unit: Mobile

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Lines at period end	30,128	30,407	30,466
of which human	18,071	18,438	19,054
Churn rate (%) ⁽¹⁾	12.8	13.3	14.7
Broadband users ⁽²⁾	12,592	12,577	12,783
Retail ARPU (€/month) ⁽³⁾	6.9	7.1	7.5
Human ARPU (€/month) ⁽⁴⁾	11.4	11.5	11.7

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

Brazil Business Unit

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Lines at period end ⁽¹⁾	61,248	62,485	52,066
Mobile ARPU ⁽²⁾	29.5	26.1	26.4

- (1) Includes corporate lines.
- (2) Represents blended pre-paid and post-paid ARPU.

Products and Services

The TIM Group offers a wide range of mobile and fixed-line telecommunications and value-add services and equipment to its consumer and business customers. The TIM Group caters to consumer customers, SMBs, SOHOs, the Italian public sector and other large accounts, enterprises, fixed-line and mobile telecommunications operators, ISPs, ASPs (in the wholesale market) and multinational companies. For the year ended December 31, 2023, the service revenue amounted to approximately 91% of TIM Group revenue. The TIM Group collaborates with the main European telecommunications operators to promote Open RAN technology within the framework of a common memorandum of understanding and participates in the Open RAN design within the O-RAN Alliance. These initiatives aim at speeding up the implementation of new generation mobile networks such as 5G, cloud and edge computing.

A brief description of the services provided, and equipment supplied by the TIM Group through each of its business units, organized by targeted markets, is provided below:

Italy and International Market

In Italy, the TIM Group offers full-service solutions, including mobile voice, a wide range of mobile data packages, landline voice, fixed broadband and fully flexible television packages, including streaming services and fiber connections. It also provides ICT offerings and digital services, including cloud services.

The TIM Group also services ISPs, ASPs (in the wholesale market) and multinational companies also through its own networks in the European, Mediterranean and South American market.

Consumer

Some of the key services and equipment offered by the TIM Group to its consumer customers are provided below:

- mobile voice, messaging and data services by consolidating 4G and developing 5G networks;
- loans and payment plans for customers acquiring smartphones along with network connection;
- insurance policies for customers acquiring smartphones along with network connection;
- FTTH fiber connections to homes, offering high performance of up to 10 Gbps, with approximately 40% of Italian residential units covered by FTTH. Approximately 70% of the TIM Group's Italian fixed customers used ultrabroadband connections as of December 31, 2023;
- home Wi-Fi services with a 10 Gbit modem that assures a powerful, stable, secure connection in all areas of the home and dedicated assistance for an extremely high-level browsing experience;
- access to connection services in sparsely covered areas using fixed wireless access (“FWA”) technologies, including through a Wi-Fi subscription and a pay-as-you go model;
- special offers, including discounts and unlimited gigabytes, for such customers who avail of both mobile and fixed-line services;
- family plans, including Wi-Fi television for unlimited browsing;
- special packages for customers under the age of 30 years and for low-income families; and
- portfolio of digital services, including cloud services in partnership with Google.

The TIM Group has also entered into partnerships with Disney⁺, Netflix, Amazon Prime (for providing entertainment services), DAZN and Infinity⁺ (for soccer and sporting event streaming services). It has also partnered with Lega Serie A and UEFA Champions League for streaming services.

Additionally, the TIM Group has started the TIM Next loyalty program, offering customers the chance to replace their smartphones with newer models, thus encouraging the collection and recycling of used smartphones.

The TIM Group has also introduced pricing initiatives, such as the introduction of inflation adjustment mechanisms for new customers, to achieve gradual (rather than sudden) repricing of contracts.

Businesses

The TIM Group offers services to the full range of business customers, from SMBs to large national and international enterprise customers, as well as the Italian public sector. The TIM Group offers mobile (4G and 5G), Wi-Fi and fixed-line services, as well as digital services (including cloud services, information security services and IoT solutions) to its SMB customer base. It provides fiber connection, offering performance of up to 10 Gbps and guaranteed minimum bandwidth for more sophisticated customers. The TIM Group also provides after sale services. Additionally, the TIM Group provides specific content on digital channel for SMB customers in order to increase the purchase of solutions for fixed, mobile and ICT offerings. The TIM Group also provides online services dedicated to customers on apps and the web.

Furthermore, the TIM Group has simplified its sales processes and extended its portfolio with solutions tailored to the needs of its SMB customers. Such simplification aimed to consolidate the main needs of its SMB customers, including information security, cloud computing for capacity and storage, data backup and the adoption of SaaS solutions. The TIM Group has also expanded its ICT offer through advanced connectivity solutions (VoIP) and partnerships with major market players.

In terms of products and services for clients in the large enterprise and the public administration segment, the TIM Group offers:

- *Managed and professional services*: including change assessment, cloud migration and cost optimization and running deployment, systems and application management, full outsourcing, audit and billing management, security management and governance;
- *Solutions*: including cloud solutions for modern workplace, customer experience, modern applications, digital marketplaces and trusted services. It also includes security solutions for cybersecurity and cyber risk management and crypto. Additionally, it includes providing IoT vertical solutions;
- *Cloud infrastructure*: including services such as TIM Cloud, Google Cloud, Edge Cloud and third-party clouds;
- *Data center and Edge*: including data center offerings as well as TIM Edge; and
- *Network*: including providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line market; and providing 2G, 4G, 5G, human and M2M, device and technical assistance offering and 5G private network offerings in the mobile market.

Brazil

The TIM Group offers mobile services using universal mobile telecommunications system, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching as well as residential broadband services. The TIM Group is in the process of migrating customers and integrating the Oi network. On March 30, 2023, the shareholders of TIM approved the merger of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A. (“**Cozani**”) with TIM, which occurred on April 1, 2023, according to Anatel’s No. 4951 of April 5, 2022 published by Anatel. Cozani is a special purpose company acquired from Oi, which provides telecommunications services, especially personal mobile services and multimedia communication services.

Mobile

The TIM Group was the first operator to cover 100% of Brazil’s municipalities with 4G and launched its 5G network in Brazil in 2022. It has partnered with Deezer and Amazon Prime Video through exclusive partnership agreements. It has also entered into a partnership with Intelsat to offer complimentary internet connectivity on Gol and LATAM airlines’ flights for certain customers. The TIM Group has also been a pioneer in the Brazilian telecommunications market. It was the first and only telecommunication operator to offer Apple One in plans and to launch 5G free trials to encourage 5G migration. The TIM Group has also been an active operator in the use of remote e-sim activation. The strategy underlying these partnerships mainly consists in increasing customers’ loyalty, thus creating an added value for the TIM Group. More generally, the TIM Group’s partnership portfolio in Brazil is based on five main areas: (i) Content & Security, featuring partners such as YouTube Premium, Disney+, Apple One, Deezer, HBO Max, Amazon Prime Video and Exa, (ii) Education, featuring partners such as Descomplica, (iii) Health, featuring partners such as Cartão de Todos, (iv) Retail (Zé Delivery) and (v) financial services, featuring partners such as C6 Bank.

The TIM Group operates a sales app for independent retailers to re-sell SIMs and top-ups, thereby securing additional income streams. As a result of the improvements of the TIM Group’s customer experience in Brazil, in 2022, the TIM Group was awarded the Reclame Aqui RA 1000 certificate for excellence in customer service in the Perceived Quality and Satisfaction survey run by Brazil’s National Telecommunication Agency (*Agência Nacional de Telecomunicações*, “**Anatel**”). In addition, the TIM Group is the sponsor of Rock in Rio, one of the world’s largest

music festivals, which serves to strengthen the tie of the TIM brand with music, entertainment and the Brazilian society at large.

Fiber

The TIM Group via its TIM UltraFibra service provides high quality ultrabroadband with high speed data connection. It has expedited the expansion of its footprint and FTTH network coverage focusing on strengthening existing active clusters and migrating customers from FTTC to FTTH to maximize customer experience.

Business

The TIM Group is characterized for its innovative and comprehensive portfolio, catering to both consumers as well as small, medium and large companies. Beyond traditional voice and data services, the TIM Group offers a fixed-line ultrabroadband service, TIM UltraFibra, and is advancing into the IoT space, establishing new revenue streams with applications in areas such as smart lighting, precision agriculture and herd management. The TIM Group is also at the forefront of crafting 5G-based opportunities in various verticals, including logistics and 4.0, to further its innovative offerings.

The TIM Group enhances its customers' mobile experience by offering a variety of content and services designed to augment daily device functionality. With its comprehensive and varied portfolio, the TIM Group believes it is well-positioned to tailor packages to customer preferences and bundle services, such as voice and data, for clients in specific regions.

Network Assets, Licenses and Frequencies

In Italy, the TIM Group operates a mobile access network based on 4G and 5G standards. The TIM Group acquired spectrum rights in the 2018 multiband spectrum auction on all available frequencies in the 700 MHz, 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700 MHz, 1x80 MHz in 3.7 GHz and 1x200 MHz in 26 GHz).

In Brazil, the TIM Group operates a mobile access network based on GSM, 3G, 4G and 5G standards. In the spectrum auction in 2021 for spectrum dedicated to 5G wireless technology, TIM Group was awarded the B3 batch of 3.5 GHz, along with several other batches.

The details of the TIM Group's telephone licenses and similar rights in operation as of December 31, 2023, are provided below:

	Useful life (years)	Maturity
<i>Italy</i>		
UMTS 2100 MHz (extension)	8	2029
WiMax (extension)	7	2029
34 – 36 MHz OpNet (former Linkem) bans.....	7	2029
LTE 1800 MHz.....	18	2029
LTE 800 MHz.....	17	2029
LTE 2600 MHz.....	17	2029
L Band (1452-1492 MHz)	14	2029
900 and 1800 MHz band.....	11	2029
3600-3800 MHz band (5G).....	19	2037
26.5 – 27.5 GHz band (5G).....	19	2037
694 – 790 MHz band (5G)	15.5	2037
28 GHz band (5G).....	7	2029
<i>Brazil</i>		
800 MHz, 900 MHz and 1800 MHz band.....	from 2 to 20	2025–2039
1900 MHz and 2100 MHz band	from 2 to 20	2025-2039
700 GHz, 2500 MHz and 2.5 GHz band (4G).....	from 2 to 20	2024-2039
2.3 GHz, 3.5 GHz and 26 GHz band (5H)	from 10 to 20	2030-2041

The TIM Group's telecommunication assets include the technological infrastructure that is used for the provision of telecommunications services (transport and distribution of voice/data traffic). As of December 31, 2023, the TIM

Group's technological infrastructure assets were mainly attributable to TIM (€5,276 million) and FiberCop (€4,595 million), respectively, in Italy and to the Brazil Business Unit (€2,114 million).

The TIM Group's ultrabroadband coverage in Italy is composed by a mix of technologies:

- FTTC for nationwide NGAN up to 200 Mbit/s (under the "Italia a 1 Giga");
- FTTH coverage, through investments in FiberCop;
- 4G mobile ultrabroadband coverage with over 56,000 4G nodes (including both macro and micro); and
- 5G mobile ultrabroadband coverage with over 5,500 5G nodes (including 3.7 GHz and 700 MHz bands).

In October 2022, the TIM Group was the first operator in Italy and among the first in Europe to launch the consumer and business offer with high-performance FTTH fiber connections up to 10 Gigabits per second using its XGS-PON (10 Gigabit capable Symmetric Passive optical networks) technology. The TIM Group's network is also connected to other carriers in Italy, the main global CDN and to OTT providers.

In Brazil, the TIM Group's wireless networks use GSM, 3G, 4G and 5G technologies and cover approximately 100% of the urban Brazilian population. In March 2022, the TIM Group announced that it had completed its implementation of standalone 5G network "Core" in Brazil. This was necessary to provide 5G services in accordance with government requirements. Anatel has approved a revised schedule for granting access to the 3.5 GHz spectrum band in order to activate the 5G network in certain parts of Brazil after August 2022, commencing the commercial operations of 5G Standalone (5G SA) throughout Brazil. In 2022, the TIM Group began the 5G rollout and currently provides 5G coverage in Brasília and all 26 state capitals of Brazil. In Brazil, radio frequency authorizations are generally valid for an initial period of 15 years and are renewable for an additional 15 years. The TIM Group's current radio frequency authorizations for operations in Brazil started expiring in September 2022. The TIM Group has submitted investment plans to the local telecommunications regulator to obtain authorizations for these expiring radio frequencies. The TIM Group has started requesting renewals for the same period. There are ongoing administrative proceedings as well as judicial discussions regarding these renewals. In the case of authorizations that cannot be renewed, current telecommunications law sets forth that the spectrum is returned to the Federal Government under Anatel's management. This is why revisions to the Law No. 9,472/1997 (the "**General Telecommunications Law**") are expected to have a meaningful impact for the sector, as the proposed updated law allows for subsequent and unlimited renewals of radio frequency authorizations of up to 20 years each, generating an environment possibly more conducive to long-term investments. See "*TIM Group Regulation*." In Brazil, the TIM Group's wireless network has both centralized and distributed functions and includes mainly transmission equipment. For the year ended December 31, 2023, it consisted primarily of more than 60,000 eNodeBs in its 4G network, more than 17,000 NodeBs for the 3G layer and more than 13,000 BTSs for 2G network, considering site-sharing, hardware equipment and software installation and upgrades. In Brazil, the TIM Group's optical fiber network has capacity to offer high quality ultrabroadband service, available through its TIM UltraFibra service. In 2023, the TIM Group continued to increase the quantity of sites connected by optical fiber in Brazil, as well as integrating mobile sites acquired from the Oi acquisition, reaching more than 10,500 of sites connected by optical fiber.

Customer Services

The TIM Group is focused on providing high quality customer services and customer retention is one of its key objectives.

Italy

The TIM Group reaches around 5,750 Italian municipalities with ultrabroadband fixed services, and around 7,800 Italian municipalities with ultrabroadband mobile services where the services are available for the benefit of citizens, businesses and the Italian public sector.

The TIM Group undertakes a wide range of activities to improve quality of its services and products and to encourage customer retention. Some of these activities are as follows:

- *Data-driven direct marketing:* the TIM Group uses data analytics to predict and manage key customer KPIs and to trigger direct marketing activities aimed at reducing customer churn, while protecting and maximizing its ARPU and monthly average revenue per user (“**MARPU**”). Such activities range from simple caring calls to pro-customer price management activities or gifts (for example individual price-plan upselling or free data package). The TIM Group actively promotes proactive customer caring initiatives by enriching the data-lake and improving digital tools and data-driven processes;
- *Digital services:* the TIM Group strives to provide an appealing digital environment to its customers through a wide offering of multimedia services, including music, content and games for customers’ entertainment. It leverages its partnerships with content providers, such as DAZN and Disney⁺, to provide sought after content;
- *Cross-selling or upselling:* the TIM Group undertakes data-driven campaigns that aim to increase penetration of convergent customer base (for example, providing FTTH upgrade or best technology for connectivity) to encourage reduction in churn propensities;
- *Customer satisfaction:* the TIM Group’s management is focused on customer satisfaction, which is monitored through a dual system (Customer Satisfaction Index and Net Promoter Score) that constantly monitors detailed trends and tracks them to micro-drivers, allowing intervention and management at operational and commercial level;
- *Digital payments:* the TIM Group encourages customers to shift to a digital or automatic payments model to facilitate churn reduction; and
- *Direct relationship:* for more complex and large customers (e.g., corporate clients and Italian public administrations) the TIM Group believes that the key element is maintaining the trust built over the years through increasingly good relationships, supported by improving services and support tools.

Brazil

In order to serve the TIM Group’s large customer base, the TIM Group has aligned the ratio between its internally managed and outsourced customer service operations to its outsourced customer service operation to the best practices of Brazilian telecommunications business. As of December 31, 2023, the TIM Group managed 16 inbound call centers with approximately 10,119 sales and customer service representatives, including four partner sites specializing in customer service. Of these representatives, approximately 4,500 have “remote working” arrangements, while approximately 1,390 are fully remote. This operational structure enables the TIM Group to concentrate on delivering high-value customer services, maintaining focus on core processes and ensuring the efficiency of critical “Referral Channels.”

For the corporate market, for the year ended December 31, 2023, the TIM Group had approximately 362 third-party business partners and 95 employees focused on serving SMBs and a direct sales force team of 87 employees focused on large companies.

Since 2020, digital channels have been a crucial aspect of the TIM Group’s customer service through its mobile application MEU TIM and the MEU TIM web portal. These digital channels have been to be valuable for self-service, prepaid customer upselling additional services. In addition to providing an enhanced customer experience due to their prompt response capabilities, digital channels have also allowed the TIM Group to reduce costs in areas such as customer service operations and sales commissions. The TIM Group continues to roll out new features across its digital channels, increasing its ability to promptly resolve challenging issues that may arise for its customers.

In 2023, the TIM Group implemented a strategy to position the MEU TIM mobile app as the primary point of contact for its customers, focusing on a continuous journey informed by research and interviews with its clients. Throughout this period, the TIM Group consistently introduced new features across its digital channels, leveraging those insights to enhance its ability promptly address challenging issues that may arise for its customers.

The TIM Group has also expanded the service offerings for its digital customers, adding the Google Business Message (GBM) and Apple Message for Business (AMB) channels on top of already implemented channels, i.e. CHAT MEU

TIM (available via web browsers and a mobile app) and Whatsapp, thus enabling customers to choose the channel that best serves their interests, according to their profiles, needs and behaviors.

The TIM Group also connects with its customers via social media, such as X (formerly known as Twitter), Facebook, Instagram and LinkedIn. In 2023, the MEU TIM mobile app maintained one of best rating among the Brazilian telecommunications operators' customer service mobile apps, with a rating of 4.7 of 5.0 “stars” on Apple’s App Store.

Since 2021, the TIM Group has been working to keep the “Customer Experience” as a foundational pillar, creating initiatives that seek to put the customer as the center of decision-making. The approach used to promote this cultural transformation was guided by the relationship between customers and employees.

The TIM Group has evaluated and taken action to improve the experience and professional development of its employees, with educational projects to promote engagement and insight, focused not only on technical, functional or soft skills competences, but also on the new capabilities required to reach industrial and business goals. These efforts strengthened the bonds between an employee’s business functions and the products and services they deliver to customer. The impact was noticeable in the TIM Group’s Organizational Climate Survey, a study performed by consulting company, Mercer, considering several companies across the country. In 2023, The TIM Group maintained a favorability of 86% compared to the previous year, placing the TIM Group 14 percentage points above the Global Telecom Market and ten percentage points above the General Market Brazil. The business area responsible for supporting these initiatives was divided in three sections: Design, Execution and Monitoring.

The TIM Group’s design team created a policy with “Customer Experience” guidelines. This document defined the expected behaviors and patterns in communication and interactions with customers, outlined a monitoring model, as well as refactored the products and services development cycles, to better cover all elements of Customer Experience.

The Execution area sought to solve legacy issues, with many of them solved. These actions were grouped in the Customer Experience governance plan, on four strategic pillars:

- *Customer Centric*: being customer oriented, understanding their needs, the relationship and the value proposition they expect when interacting with the TIM Group;
- *User Experience*: understand the perceptions and reactions of customers, including their emotions, beliefs, preferences, physical and psychological responses, as well their behaviors before, during and after they use the products, offers and services;
- *Customer Monitoring*: making use of tools and techniques such as big data and predictive analytics to extract value from customer information and to identify opportunities in revenue increase, costs reduction and quality improvement; and
- *Crew Experience*: with the understanding that its employees are key to create great customer experiences, empower their employees so that it is clear they are a consumer-oriented organization.

In addition, the TIM Group continued to use the so-called “Net Promoter Score” as a fundamental key performance indicator to measure customer experience with its call center. There is an ongoing project to expand this survey to its other customer service channels.

The TIM Group has also sought to maximize customer satisfaction through improvements in its processes and systems, including customer journey mapping, where employees are invited to assume the customer perspective using empathy maps and design thinking tools. The goal of using these methods is to reduce customer effort, increase customer success and to ensure positive emotions towards the TIM brand.

The TIM Group also enhanced its interactive voice response channels to include more customer-oriented services.

The TIM Group completed the migration of prepaid and postpaid consumer back-office services (front end was implemented in 2015) to the Siebel customer relationship management, or CRM, platform. The migration to the Siebel system from legacy systems for corporate clients is still ongoing.

In 2023, the TIM Group has started testing the integration of generative AI in its operations, such as virtual agent assistance, real time speech and text and chat bots.

Brand and Marketing

The TIM Group is actively involved in a diverse range of initiatives, encompassing both paid and unpaid activities, to promote its products and services. The TIM Group credits its brand strategy for expanding its customer base and fostering customer loyalty, leading to significant growth in total revenue. Using different media channels such as linear and on-demand TV, radio, print, online platforms and outdoor advertising, the TIM Group promotes its premium brand. Social media is also a key touchpoint for the TIM Group to increase relevance and drive engagement with new generations and specific target groups. The TIM Group increasingly relies on digital marketing and social media to generate interest in its offerings, emphasizing the integration of sales activities with innovative proposition development and creative campaigns to boost market share in SMBs, enterprise businesses and the public sector.

The TIM Group engages in marketing activities both in Italy and abroad. In Italy, during 2023, the TIM Group fostered its premium positioning in a campaign with the tagline, “The Power of Connections,” leveraging its successful TV format that showcased stories of human connections empowered by TIM’s technology. This campaign featured prominent Italian personalities, including distinguished sports figures and reinforced the TIM Group’s presence in the music industry to appeal to different target groups.

With a century-long history dedicated to Italy’s development, the TIM Group’s commitment goes beyond providing reliable services to individuals and businesses. The TIM Group aims to be a catalyst for change and progress in the country, recognizing its brand responsibility to maximize the positive impact on society. Accordingly, the communication platform welcomed a new initiative, summarized in the tagline “Equality Can’t Wait,” which emphasizes the TIM Group’s commitment to the promotion and awareness of gender equality. “The Power of Connections to Break Stereotypes” was the first campaign on gender equality launched to support the Italian women’s national football team at the World Cup in Australia and New Zealand, supporting the right of women to dream free from stereotypes. Female testimonials, representing various professionals connected to the TIM world, highlighted severe gender disparities across different industries, issuing a challenge to take action. Furthermore, in line with the promotion of gender equality, the TIM Group launched “Women+,” a mobile app to support and empower women in the labor market.

TIM has also reinforced its image as an innovator aspiring to be recognized not merely as a telecommunications and ICT service provider but also as a digital partner offering advanced solutions and consumer-oriented services. The strengthening of its brand leadership, widening the gap with competitors on various brand KPIs and the acknowledgment of numerous awards for TIM advertising and campaigns provide tangible evidence of the impact of the TIM Group’s brand strategy.

In Brazil, the TIM Group has been strengthening brand credibility by supporting social development initiatives and digitization.

Sales and Distribution

The TIM Group continues to move towards an omni-channel sales approach for its direct sales, offering customers the ability to research, purchase and collect products through three primary sales channels: stores (both owned and franchised) and online. The TIM Group has increasingly focused on delivering an integrated and seamless experience across different segments of its direct distribution channels. The TIM Group believes that these omni-channel offerings help it achieve high customer engagement and satisfaction and reach higher value customers. The TIM Group intends to focus on increasing sales through digital channels and channels with lower costs to both increase efficiency and leverage on data to improve customer satisfaction. The TIM Group also intends to shift its focus from volume driven approach to a value driven approach when it comes to customer acquisition. In the future, the TIM Group intends to adopt a complete data-driven channel management, through in-stores retail analytics solution to drive incentives, footprint and performance.

Italy

Direct Channels

The TIM Group continues to move towards an omni-channel sales approach for its direct sales, offering customers the ability to research, purchase and collect products through three primary sales channels: stores, online and customer care. The TIM Group has increasingly focused on delivering an integrated and seamless experience across different elements of its direct distribution channels. The TIM Group believes that these omni-channel offerings help it achieve high customer engagement, higher value customers and high customer satisfaction.

For the year ended December 31, 2023, the TIM Group offered its products and services through approximately 4,800 points of sale in Italy, out of which approximately 700 were monobrand stores. The monobrand stores are generally located in highly frequented and strategically important areas, such as high streets in urban centers. The TIM Group has revamped its physical store presence with new layouts to a more personal service both for its existing customer base and new clients.

The TIM Group also sells products and services directly through its website and mobile apps.

Indirect Channels

The TIM Group uses indirect channels as a means of increasing its customer reach and as a supplement to the TIM Group's direct distribution channels. The TIM Group's indirect B2B sales and distribution channels include business partners, distributors and wholesale partners.

The TIM Group conducts sales to SOHOs customers through its existing indirect sales and distribution channels, both in stores and online, using specialist sales advisers to help deliver customer acquisition and upgrades. The TIM Group conducts sales to SMB customers primarily through its sales force, which consisted of 73 business partners and 143 senior accounts as of December 31, 2023.

Brazil

In Brazil, the TIM Group follows a strategic approach to consumer customers through both physical and digital channels, with the ambition to migrate sales mix for a higher percentage of digital sales to reduce acquisition costs and improve customer satisfaction. For its business customers, the TIM Group attempts to provide efficient and scalable operation for SMBs and customized customer service for large companies.

For the year ended December 31, 2023, the TIM Group had approximately 16,500 points of sale (of which 158 were owned stores) through premium shops and dealers (exclusive or multi-brand) and consolidated partnerships with large retail chains. In addition to these retail stores, the TIM Group's customers have access to prepaid phone services through supermarkets, newsstands and other small retailers, which amounted to approximately 197,000 points of sale throughout Brazil.

In December 2021, the TIM Group launched a new store model intending to offer a welcoming service, combining experimentation and innovation. Since then, the TIM Group has opened six concept stores and over 40 stores in this new model. The new format has several spaces where customers are able to try out smartphones and accessories integrated with 5G technology, as well as equipment for connecting homes using the TIM Group's fixed ultrabroadband services. Consumers themselves are able to carry out basic activities, such as consulting with the sales representatives, printing, paying invoices, purchasing plans and services and even discussing with tech experts' tips for operating their devices, apps and more.

Pricing

Telecommunications operators face significant pricing pressure resulting from competition from other operators. Additionally, excessive or aggressive pricing is policed periodically by regulators, such as AGCOM, AGCM and Anatel. In this regard, in advance of gaining the regulatory benefits expected to result from the successful completion of the Transactions, TIM Group's retail rates are subject to AGCOM's approval. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply*

with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective” and “TIM Group Regulation” for further information. Anatel also publishes rates for certain services, such as fixed-line services, which are permitted to be adjusted for inflation. See “TIM Group Regulation.”

Major Suppliers, Contractors and Distributors

The TIM Group’s primary suppliers are involved in the provision and deployment of fixed-line and mobile telecommunications network as well as in the supply of mass-market products, such as, for example, smart devices and software licenses.

To operate in Italy and Brazil, the TIM Group relies on its own fixed-line and mobile infrastructure. However, following the successful completion of the Transactions, in Italy the TIM Group will rely on the direct ownership of its mobile infrastructure, data centers, backbone and further equipment and infrastructure components that are not included in the NetCo Business, and will acquire fixed-line wholesale access services to maintain its fixed offerings to its retail customers. See *“Summary—The Transactions.”* Accordingly, on the Acquisition Closing Date, the TIM Group will enter into the Master Services Agreement with NetCo, which, following the Transactions, will become a prominent provider of broadband and ultrabroadband wholesale access services in Italy.

NetCo is expected to become a supplier of fixed-line wholesale access services over the medium to long term for the TIM Group. Their relationship is expected to be positive for the TIM Group as result of several factors, including, among others (i) the extended duration of the Master Services Agreement and(ii) the provision of certain services by the TIM Group to NetCo, enabling NetCo to offer its services to OLOs. Furthermore, the Master Services Agreement is expected to continue guaranteeing competitiveness of the TIM Group for its retail operations.

See “Summary—The Transactions—Master Services Agreement,” “Risk Factors—Risks Related to NetCo—Risks Related to NetCo’s Business and Industry,” “Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business and Industry—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group’s costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group” and “Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business and Industry—Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group’s business, financial condition and results of operations” for further information.

IT Systems and Security

The TIM Group recognizes cyber security as one of its greatest areas of risk as it handles enormous amount of information technology assets that are either their own or are being managed to deliver services to its customers.

In Italy, the TIM Group has a defined security plan for its information technology assets, to mitigate risks by regular monitoring. The security operation center of the TIM Group is available 24/7 to manage security incidents and help limit their impacts. The TIM Group also has an insurance program to cover cyber risks. In relation to the equipment it supplies, the TIM Group uses advanced testing laboratories to test the devices for safety before they are released to the market and isolated environments to identify possible vulnerabilities in the hardware and software products used in its network. In relation to the Russia-Ukraine war, the TIM Group, which is acting in coordination with the Agency for National Cyber Security (ACN), has raised the alert level in relation to cyber risk.

On April 21, 2023, the TIM Group acquired TS-Way, an Italian company specialized in prevention and analysis services for information technology attacks and cyber threat intelligence. The acquisition was completed through Telsy, a member of the TIM Group that is focused on the cybersecurity sector, and which operates under the scope of TIM Enterprise.

In Brazil, the TIM Group has obtained certifications for the management of cyber security and transparency, such as ISO 27001.

Please see “Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business and Industry—System and network failures could result in reduced user traffic and reduced revenue and could harm the TIM Group’s reputation” and “Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group’s Business and Industry—The TIM Group’s businesses are subject to cybersecurity risks” for more details.

Employees

As of December 31, 2023, the TIM Group had 47,149 employees, including 37,639 employees in Italy and 9,267 employees in Brazil. The average age of the TIM Group’s employees was approximately 49 for the same period.

Certain of the TIM Group’s employees are represented by trade unions. In November 2022, TIM signed an agile working agreement focused on young people and fragile resources with trade unions in respect of the period from February 2023 to February 2024. This agreement impacted approximately 28,500 employees of the TIM Group for the year ended December 31, 2023.

On March 21, 2023, TIM and certain trade unions signed an agreement pursuant to Article 4 of Italian Law No. 92/2012. The agreement involved an incentive for up to 2,000 people to take redundancy and was valid until November 30, 2023.

In April 2024, TIM and the trade unions signed an agreement for the application of the Defensive Solidarity contract for the period from April 2024 to June 2025, which on April 12, 2024, was ratified by the Ministry of Labor. In that occasion, TIM, in reaffirming the value of negotiations and trade union relations, and in line with consolidated company relations, confirmed that all employment positions will be safeguarded for the duration of the solidarity contract. The agreement provides for an average percentage of weekly reduction in working hours of 11.4% and includes also Noovle S.p.A., Olivetti S.p.A., Telecontact Center S.p.A. and T.I. Sparkle S.p.A. Agile working agreement has been extended until September 15, 2024.

In August 2022, the TIM Group signed an expansion contract for the period 2022-2024 (the “**Expansion Contract**”) which terminated in February 2024. This Expansion Contract aimed to support the business transformation process, renewal of technical-professional skills, and to ensure the presence of new professional profiles through a recruitment plan. This Expansion Contract defined the measures to support the objectives of the 2023–2025 Industrial Plan to empower TIM and certain companies of the TIM Group, including TI Sparkle S.p.A., Telecontact S.p.A., Noovle S.p.A. and Olivetti S.p.A., and involved approximately 30,000 TIM Group employees. The Expansion Contract was based on 4 pillars:

- (i) the recruitment plan, targeting the hiring of specific roles and skills;
- (ii) the early retirement plan;
- (iii) the training and retraining project, which included both re-skilling and paths aimed at acquiring new skills; and
- (iv) working hours reduction.

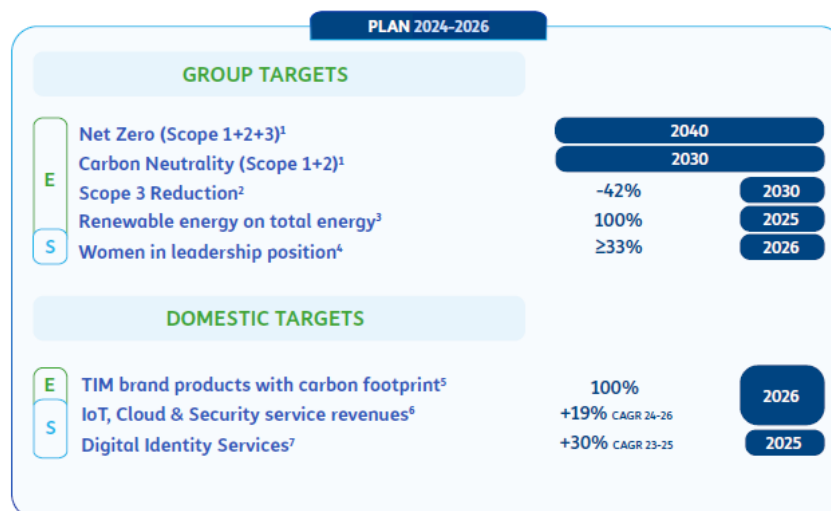
In line with the objectives of the Expansion Contract, for the year ended December 31, 2023, the TIM Group provided approximately 2.1 million hours of training to its employees.

As of December 31, 2023, 43% of the TIM Group’s board of directors were women and 28% of women hold managerial positions within the TIM Group.

Sustainability of the TIM Group

The TIM Group is dedicated to ensuring its business operations are sustainable in all spheres of its operations. It takes steps to regularly monitor its operations to ensure that it can unceasingly improve its performance. The efforts that the TIM Group has implemented to enhance sustainability include the greater use of renewable sources of energy (green electricity amounted approximately to 72% of the TIM Group’s total electricity purchased in 2023), the increase of reusing and recycling of materials, the implementation of policies aimed at reducing CO₂ emissions and greater ‘circularity’ of the TIM Group’s products, services and assets. The TIM Group is currently operating under its “ESG

Plan” for 2023-2025 and it is working on its “ESG Plan” for 2024-2026 (the “**2024-2026 ESG Plan**”). The TIM Group has set 8 targets, 5 at the TIM Group level and 3 targets for its operations in Italy to meet over a short-term basis. A snapshot of TIM Group’s ESG targets and its performances towards these targets under the 2024-2026 ESG Plan, is set out below:



¹ Baseline 2023. For scope 3, categories 1, 2 and 11 are considered

² The target has been reformulated to take into account the change of the baseline to 2023 and according to SBTi's annual reduction expected up to 2030

³ Electricity purchase

⁴ Weighted average of target Italy ≥30% made up of "Italian women managers and directors" and target Brazil ≥36% made up of "Brazilian women managers and directors"

⁵ Sellout of TIM branded modems

⁶ Baseline 2023

⁷ PEC, SPID, Digital Signature (growth of active services, baseline 2022)

Source: Company Information

In defining the TIM Group’s targets, the TIM Group has focused on four main areas of intervention:

- *Environmental protection*: the TIM Group aims for an efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste as well as the engagement with suppliers with ESG credentials and commercial offerings;
- *Digital growth of Italy*: the TIM Group commits to bringing ultra-fast connectivity throughout Italy and to continue to offer and develop innovative digital services for individuals, businesses and local and national public administrations;
- *TIM people*: the TIM Group will continue to enhance its workforce’s skills, foster talent and to reduce the gender gap; and
- *Strengthen governance*: the TIM Group is committed to integrate good governance into its decision-making at all levels, to minimize risks and costs.

Some of the key steps that the TIM Group has taken towards achieving its targets in Italy in 2023, through more than 70 projects, are as follows:

- the reduction of its scope 1 emissions (i.e. emissions from production activities such as trigeneration, transport, ozone depleting gases, heating and generator sets) by 8% compared to 2022;
- the reduction of its scope 2 emissions (i.e. emissions from purchase of electricity to power infrastructure and offices) by a 32% compared to 2022;

- the implementation of a new “Power Purchase Agreement” with a duration of 9 years for the supply of approximately 200 GWh/year of green energy for the period 2023-2031, which supplements the agreement signed in 2021 for the supply of 350 GWh/year for 10 years, for a total supply of 540 GW/year;
- the decommissioning of 95% of the public telephone booths out of a total fleet of 14,000 systems;
- the switching off of obsolete landline and mobile telephony devices, for a progressive saving of approximately 154 GWh/year;
- the online activation of eSIMs, providing customers with the opportunity to configure the eSIM via digital identity on their smartphones;
- the launch of the new innovation plan for Sparkle’s terrestrial and underwater optical network with new technologies at speeds of up to 800G in Europe, Middle East and South America; and
- the approval of the TIM Group’s new code of ethics, recognizing sustainability as a reference point for the TIM Group’s long-term strategy.

Compliance with safety at work requirements is assured at the TIM Group level through the application of current applicable legislation starting from when the risk assessment is performed and updated from time to time, along with the relevant document. To strengthen its internal control system, particularly with respect to health and safety matters in the workplace, the TIM Group has implemented a health and safety management system certified according to the ISO 45001:2018 standard.

The TIM Group has achieved various certifications, ten of which specifically focus on ESG issues. In addition, in 2023 the TIM Group introduced a new UNI/PdR 125:2022 certification that recalls the UNI ISO 30415:2021 “*Human resources management: Diversity and inclusion*” that certifies a gender equality management system and its importance for the TIM Group.

Additionally, the TIM Group recognizes the risk of electromagnetic pollution which is inherent to the telecommunication industry. Accordingly, in relation to construction of mobile network infrastructure (radio base stations), all regulations and processes on electromagnetic pollution limits are strictly respected by the TIM Group.

Further, the TIM Group believes that the digital sector is the engine of economic and social growth. Accordingly, it takes proactive steps to offer products and services which cater towards a green economy. The TIM Group has been the driving force towards digital transition in Italy and Brazil.

In 2024, the TIM Group has improved its position in the ratings of the environmental organization CDP (formerly Carbon Disclosure Project), earning an “A” and improving on last year’s performance, when it had received a “B” rating, and confirming its position once again this year as one of the world’s promoters of concrete initiatives to combat climate change. TIM’s achievement, with an “A” rating in both in Italy and Brazil, is the result of the decarbonization strategy that sets long-term ESG targets and aims to reduce greenhouse gas emissions through energy efficiency, increasing use of renewable energy and choosing sustainable suppliers.

In 2023, Sustainalytics also classified the TIM Group as industry top rated company with a low ESG risk. In 2023, Moody’s ESG Solutions ranked the TIM Group in its first industry group, among other telecommunications companies with an ESG performance above the sector average with a low risk. Furthermore, other remarkable ESG ratings providers have rated the TIM Group. For example, ISS ESG rated the TIM Group with “B-” level and awarded the TIM Group with a “prime status,” whereas MSCI ranked both TIM Italy and TIM Brasil in 2023 with an “A” level. Other important recognitions for the TIM Group in 2023 were (i) the inclusion in the “Dow Jones Sustainability Europe Index” through the industry leaders and first telecommunications company in Italy, (ii) the inclusion in the “Refinitiv D&I Index” as the first telecommunications company worldwide, (iii) the Platinum LEED (Leadership in Energy & Environmental Design) certification for the South Milan data center premises and Gold LEED for other 3 data centers and (iv) the award at the Institutional Investor Awards 2023 with the “Best ESG Program 2023” in the “Mid Cap” category. The TIM Group has also been awarded the “Diversity Brand Award 2024” for its commitment to diversity and inclusion matters.

Property and Leases

The TIM Group operated through 692 monobrand stores (212 owned stores, 304 franchise stores, 184 dealer monobrand) in Italy in addition to its headquarters and branch office in Rome.

Insurance

The TIM Group maintains insurance coverage for property damage, data breaches, business interruptions, directors' and officers' liability, professional indemnity, third party liability, product liability, employer's liability, crimes, goods in transit liability and construction related liability. The TIM Group's insurance coverage is regularly reviewed to ensure that it is adequate and that deductibles and premiums are at reasonable levels. The TIM Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured on what it believes to be on unreasonable terms, such as political risk, war and terrorism. The TIM Group believes that the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with industry practice, but it cannot guarantee that it could not be adversely affected by damage or accidents despite possessing said insurance coverage.

Legal Proceedings and Disputes

From time to time, the TIM Group has become involved in litigation relating to claims arising out of its operations in the normal course of business. Some of the material litigations involving the TIM Group are described below, along with the potential financial loss to the TIM Group, calculated as of December 31, 2023 (unless specifically stated below, the TIM Group does not make any determination or estimation as to the predicted outcome of the following litigations). Additionally, for informational purposes only, certain amounts in this section "*Legal Proceedings and Disputes*," have been translated from BRL into Euro, and the exchange rate used for this translation is calculated at the average exchange rate for the year ended December 31, 2023.

- *Vivendi case*: On December 15, 2023, TIM was notified of a writ of summons from Vivendi, in its capacity as shareholder of TIM, challenging the validity and effectiveness of TIM's board of directors' resolution of November 5, 2023, which approved the Transactions and the Transaction Agreement. Vivendi did not file a precautionary injunction, nor did it seek an emergency injunction against the execution of the board of directors' resolution and the resulting contractual acts. TIM has entered an appearance in the lawsuit on February 12, 2024 to challenge the merits of the arguments and claims made by Vivendi, confirming the validity of the board of directors' resolution and the contractual arrangements entered into with Optics to give effect to the Transactions. On April 11, 2024, TIM and Vivendi respectively filed their first additional briefs, by which neither party filed additional claims nor requested precautionary injunctions. The first hearing has been scheduled for May 21, 2024.
- *Brazil unit case*: The Brazil Business Unit is involved in certain disputes with tax and regulatory authorities which could lead to a loss of approximately BRL 19,200 million (€3,600 million). These disputes include disputes with: (i) federal tax authorities, over among things, disallowance of tax effect of mergers, tax deductibility of amortization of goodwill, irregularities in managing and reporting of certain regional tax benefits, collectively, amounting to potential loss of approximately BRL 3,100 million; (ii) state tax authorities, in relation to *Imposto Sobre Circulação de Mercadorias e Serviços* (state tax on circulation of goods and services) over among things, reduction of the tax base due to discounts granted to customers, use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, collectively, amounting to potential loss of approximately BRL 10,400 million; (iii) municipal tax authorities over certain matters which could amount to a potential loss of approximately BRL 1,700 million; and (iv) with *Fundo para o Desenvolvimento Tecnológico das Telecomunicações* (FUNTELL, Brazilian fund for technological development of telecommunication) and *Fundo de Universalização dos Serviços de Telecomunicações* (FUST, Brazilian fund for universalization of telecommunication services) over contributions to ANATEL which could amount to a potential loss of approximately BRL 4,000 million.
- *Golden Power case*: TIM has appealed the imposition of penalty of €74.3 million in 2017 under the Golden Power Legislation for failure to notify Vivendi group's acquisition of control over the TIM Group. The matter is currently being appealed before the Administrative Tribunal for the Lazio Region (*Tribunale Amministrativo Regionale del Lazio*) and the penalty has been suspended, in light of the TIM Group posting a guarantee bond of €74.3 million with the Italian Golden Power Authority in May 2018 and renewed in

November 2022. See “Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group’s Legislative and Legal Framework—The Italian Golden Power Authority has exercised, and may in the future exercise, its significant powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group’s ability to enter into strategic transactions.”

- *Antitrust case A428:*

- Vodafone has filed an appeal in relation to the TIM Group’s non-compliance with AGCM’s order in relation to the TIM Group’s subsequent conduct after the judgements in relation to abuse of dominance (the “**Antitrust Case A428**”), although on January 13, 2017, the TIM Group was served notice of AGCM’s final assessment which had recognized that the TIM Group had complied with the Antitrust Case A428 decision.
- Colt Technology Services commenced legal action for alleged inefficiency and discriminatory conduct by the TIM Group in the wholesale service supply process in light of Antitrust Case A428. Writ of summons before the Milan court were served in August 2015. The damage claimed was quantified as €27 million in loss of profits and damages to its image and commercial reputation. Colt Technology Services had previously advanced an extrajudicial claim for approximately €23 million in June 2015, which the TIM Group had rejected. On February 21, 2024, the Court of Milan rejected in its entirety all claims raised by Colt Technology Services, sentencing the latter to refund the legal expenses.
- COMM 3000 S.p.A. (formerly known as KQNQWest Italia S.p.A.) commenced legal action for alleged anticompetitive behavior and abuse of dominance by the TIM Group over the period 2009-2011, in the form of technical boycotting by the TIM Group in light of Antitrust Case A428. They claimed damages for a total of €37 million. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A., sentencing TIM to pay an amount lower than the amount in the COMM 3000 S.p.A.’s damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM’s appeal, reducing the amount of the compensation due to COMM 3000. In November 2021, TIM has appealed to the Italian Supreme Court (*Corte Suprema di Cassazione*) over the judgment of the Court of Appeal of Rome. The hearing in chambers was held on June 13, 2023. By interim order of July 19, 2023, the Court remanded the case. A new hearing has not been scheduled yet.
- Eutelia and Clouditalia Telecomunicazioni S.p.A. commenced legal action for alleged technical boycott and margin squeeze conduct by the TIM Group in light of Antitrust Case A428. They claimed damages for a total of €40 million. TIM filed an appearance, contesting the claims made by the opposing party and submitting a counterclaim, subject to quantification of the damages incurred during the proceedings. The public hearing for the examination of the court-appointed expert witness, originally scheduled for October 18, 2023, has been postponed to May 22, 2024.

- *Antitrust Case A514:*

- TIM has commenced an appeal to the Italian Council of State (*Consiglio di Stato*) in relation to the fine of approximately €116 million paid by the TIM Group in 2020 for abusing its dominant position by putting in place an anticompetitive strategy designed to hinder the competitive development of investment in ultrabroadband network infrastructure (“**Antitrust Case A514**”). TIM’s previous appeal before the Administrative Tribunal for the Lazio Region was rejected. TIM has appealed before the Italian Council of State against the decision of the Administrative Tribunal for the Lazio Region. Currently, the Italian Council of State arranged for an official technical consultant to be appointed to provide a report on three aspects relating to the profitability of the TIM Group’s investment in White areas.
- In January 2022, Irideos commenced legal action against TIM in the Court of Rome for alleged anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the

wholesale market and the retail market in light of the Antitrust Case A514. Irideos has sought compensation claim of €23.2 million. At the hearing held on June 1, 2022, the investigating judge assigned the parties time for depositing the briefs with terms running from February 15, 2023, and deferred the case to be heard on June 7, 2023. The public hearing for the examination of the evidence was held on October 5, 2023. Having acknowledged the request for postponement made by Irideos, on the grounds of the proceedings pending on Case A514 before the Italian Council of State, the Court adjourned the case to the hearing of October 10, 2024.

- *Open Fiber case:* In March 2020, Open Fiber (“**OF**”) commenced legal action against TIM before the Court of Milan, claiming damages of €1,500 million for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) preemptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCOM in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; and (vi) discriminatory access conditions to TIM passive infrastructure. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel S.p.A. and OF, without, however, quantifying such damages. During the course of proceedings, OF redetermined the damage allegedly suffered, increasing it to €2,600 million plus interest and monetary revaluation. OF has also clarified that it believes such damages are still to be suffered. Enel S.p.A. then quantified the damages allegedly suffered as approximately €228 million, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate. By order of July 17, 2023, the Court of Milan lifted the reservation and scheduled the hearing for closing arguments on April 3, 2024. At that hearing, the judge asked the parties to file brief summary notes to outline the conduct (and alleged violations) at issue in the case and decided to schedule a further hearing to await the outcome of the assessments by the court-appointed technical expert that has, in the meantime, been ordered in the antitrust case currently pending before the Council of State. As a result, the case was adjourned to the following hearing on June 12, 2024.
- *Eutelia and Voice Plus appeals:* In June 2009, Eutelia and Voice Plus commenced legal action against TIM for investigation into TIM’s alleged acts of abuse of dominant position in the premium services market (based on the public offer of services provided through “**Non-Geographic Numbers**”). They claimed damages at a total of approximately €730 million. In a judgment issued in February 2018, the Milan Court rejected the Eutelia and Voice Plus’ claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment at first instance. TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019, Eutelia and Voiceplus appealed to the Italian Supreme Court over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers was held on February 16, 2023. On the request of Eutelia and Voice Plus, at the hearing of February 16, 2023, public discussion was ruled, for which a date has not yet been scheduled.
- *Poste (Italian postal service) appeal:* Poste has appealed the decision of the Rome Court of Appeals from 2019 where it had failed to receive a favorable order for recovering approximately €58 million in relation to certain contracts for supply of IT goods and services from the TIM Group. By order of February 29, 2024, the Italian Supreme Court declared Poste’s appeal inadmissible.
- *Iliad cases:*
 - Iliad S.p.A. (“**Iliad**”) has commenced legal action against the TIM Group for application of unlawful contractual conditions to customer with reference to mobile and fixed telephone offers for €120.4 million. The case has been deferred for the ruling of the conclusions to the hearing of May 28, 2024.
 - Iliad has also commenced legal action against the TIM Group for anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering Iliad’s entry to and consolidation in the mobile phone market in Italy, seeking damages of at least €71.4 million. TIM filed an appearance, counterclaiming with reference to the denigration implemented by Iliad in

regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to €242.8 million. Following submission of the closing arguments and statements of defence, the Court of Milan partially upheld Iliad's claim, declaring that TIM's actions were unlawful, pursuant to Article 2598 paragraph 1 no. 3 of the Italian Civil Code, with reference to only one of the violations alleged by Iliad. As to the Iliad's claim for damages, the Court of Milan dismissed it arguing that it was totally ungrounded. As a consequence, on December 15, 2023, Iliad challenged the ruling of the Court of Milan and filed an appeal. The first hearing will be held on May 8, 2024.

- Iliad has also commenced legal action against among other, TIM and INWIT before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. Iliad is seeking compensation for the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The first appearance was filed at the hearing held on April 5, 2023, and the court reserved the objection of nullity of the writ of summons raised by TIM. At the hearing on March 6, 2024, the Court scheduled the next hearing for May 14, 2024
- *C6 partnership— Arbitration proceedings:* The TIM Group and C6 bank had entered into an arrangement under which the TIM Group would receive commission on every account opened by the TIM Group customer. Additionally, the TIM Group received shares in the bank upon achieving certain targets connected to the number of active accounts. Disagreement between the TIM Group and C6 bank has led to the parties taking the matter into arbitration. If the decision is held against the TIM Group, its partnership with C6 bank will be terminated.
- *Oi acquisition— Arbitration proceedings:* The TIM Group is disputing closing adjustments under the share purchase agreement entered into in relation to the acquisition of Oi and is seeking to be indemnified for approximately BRL 231 million. The matter is pending in arbitration proceedings. The TIM Group has deposited BRL 670 million with the 7th Business Court of the Judicial District of Rio de Janeiro, with such deposit to be released once the arbitration proceedings are completed.
- *Fastweb (Ethernet ATM migration):* The TIM Group has commenced legal action against Fastweb for failing to achieve the migration from ATM bitstream technology to Ethernet bitstream technology in the agreed manner and has sought, among other reliefs, approximately €79.2 million in damages. Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract counterclaiming around €81.4 million in damages. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing was scheduled for December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023. Following the filing of the preliminary briefs, Fastweb updated the quantification of the damages allegedly suffered as a result of TIM's unlawful conduct to approximately €101.1 million, of which €13.2 million are conditional upon the Court upholding TIM's main claim. At the hearing held on June 13, 2023, the investigating judge reserved judgment. The investigating judge then rendered a decision and ordered the appointment of an expert witness. The hearing for the examination of the court-appointed expert witness has been scheduled for September 17, 2024.
- *Restitution of license fee from 1998:* The TIM Group had commenced legal action against the Italian government seeking compensation of concession charges for 1998 of approximately €529 million, excluding among other things, legal interest, where its claim was held to be inadmissible. TIM Group has appealed the order. On April 3, 2024, the Court of Appeal of Rome ruled in favor of the TIM Group's appeal, awarding it approximately €1 billion. This sum includes the original license fee of approximately €500 million, in addition to revaluation and accrued interests. The judgment is immediately enforceable. However, as of the date of this Exchange Offer Memorandum, it is uncertain whether the Italian government will appeal the judgement.

- *Telenergia litigation*: TIM had commenced a litigation on November 17, 2022, against Telenergia before the Court of Rome, with a claim equal to approximately €34 million relating to the reimbursement to TIM of surtaxes paid by TIM, through Telenergia, to the Italian tax authority for the supply of energy in 2010 and 2011. The litigation was initiated on the basis that, due to the most recent guidance applicable to energy supply, a customer (i.e. TIM) is entitled to seek reimbursement from the Italian tax authority of undue surtaxes related to the supply of energy only upon conviction of the supplier (i.e. Telenergia).

For additional information and a description of other litigation of the TIM Group, please see Note 23 to the 2023 TIM Audited Consolidated Financial Statements. For additional details in relation to regulatory proceedings, please see “*TIM Group Regulation*.”

BUSINESS OF NETCO

This business section includes certain technical terms that are commonly used within NetCo's industry. See "Glossary" for a detailed explanation of these terms. The estimates regarding NetCo's market share and relative market share are derived from the TIM Group and Optics internal data and certain extrapolations. For more detailed information on the industry in which NetCo operates, please see "NetCo Industry Overview." Unless explicitly stated otherwise, the following summary of NetCo's business as well as references to the "TIM Group" reflect the effects and implications of the Transactions as if they had already occurred. See "Summary—The Transactions."

Overview

NetCo is the largest national independent not vertically integrated open-source fixed-line network provider by revenue in a major European country with €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions. NetCo will be the leading national fixed-line wholesale network in Italy, providing mission-critical digital infrastructure to households and businesses. As of December 31, 2023, NetCo, through its comprehensive suite of services and indirectly via its extensive customer base comprising approximately 550 telecommunications operators, has captured 84% of the access services for the fixed broadband market share, excluding FWA and 76% including FWA, as of September 2023. Additionally, NetCo holds in excess of 60% of premium connectivity market share as of December 31, 2022.

NetCo exhibits attractive infrastructure characteristics, including: (i) a difficult to replicate, operate and maintain network infrastructure with broad national FTTC coverage and an expanding FTTH network with limited overlap outside of Black Areas (as defined below), (ii) strong underlying demand in the Italian fixed broadband market, (iii) longstanding relationships with major operators, including TIM as the anchor tenant, as well as Fastweb, Vodafone, WindTre and SkyWifi, who generate high sales volumes, (iv) a hedge to technology risk, as its existing ADSL and FTTC network provides a natural hedge against the possibility of slower than expected FTTH take-up, and (v) strong profitability and cash flow conversion, with Organic EBITDA-AL for 2022 and 2023, after giving *pro forma* effect to the Transactions, of €1,812 million and €1,948 million, respectively.

NetCo's extensive network infrastructure in Italy will include 9.0 million kilometers of backbone fiber optics, more than 7 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access as of December 31, 2023. After giving effect to the Transactions, NetCo will also have a strong workforce of approximately 19.9 thousand employees.

Italy represents one of the most attractive markets in Europe, given its low fixed broadband penetration in comparison to other European markets and is the only country to lack a DOCSIS co-axial cable infrastructure among major European countries. See "*NetCo Industry Overview*." Within Italy, NetCo's FTTx infrastructure stands at approximately 22 million homes passed as of December 31, 2023, delivering good broadband speeds of 50 to 200 Mbps. Currently, there are 9.2 million homes passed in Italy by FTTH infrastructure representing an attractive opportunity for continued FTTH development. Fiber network overlap is currently limited to Black Areas (as defined below) only and there is a low risk of new entrants in the FTTH market given the challenges of building a scaled infrastructure and driving penetration. NetCo is well positioned to benefit from the secular growth trend of fixed broadband in Italy, which is expected to reach 88% penetration by 2031 as a result of expected FTTH coverage expansion and progress in digitalization.

A significant portion of NetCo's subscribers comes from operators other than the TIM Group. NetCo's relationships with its direct customer base are also characterized by longevity, with an average customer relationship duration of multiple years and anchor customers that, following the Transactions, will include the TIM Group and other leading operators underpinned by multi-term contracts.

NetCo's fiber roll-out strategy is backed by strong and stable profitability and cash flow generation, with Organic EBITDA-AL Margins of approximately 49% and 47%, for the years ended December 31, 2023 and 2022, respectively, after giving *pro forma* effect to the Transactions. NetCo's FTTC network also provides high stability and long term visibility of revenue.

NetCo's physical infrastructure assets are central to Italy's economy, providing long term cash flows with limited correlation to economic cycles.

Furthermore, NetCo is backed by strong support from KKR, which has a strong track record in investing in infrastructure. NetCo was also subject to a memorandum of understanding (the "MoU") between the Italian Government and KKR signed on August 10, 2023 with respect to the Italian government obtaining a minority stake in NetCo. The MoU has been superseded by the Agreed Form SHA, which reflects the provisions of the MoU (with such amendments as agreed between KKR and the Italian government).

NetCo's Key Strengths

NetCo is expected to benefit from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions:

NetCo owns the largest independent fiber network in Europe and is expected to be the first independent network player in a major European economy.

NetCo is expected to become the main national fixed line wholesale network in Italy and the third largest by revenue in Europe. Its scaled national infrastructure network is expected to become the first largest and independent fiber network (including its FTTH and FTTC networks) in a major European economy, meaning that it will not be vertically integrated or owned by a fixed-line or mobile telecommunication operator and will be able to offer services on an operator-neutral basis and as an independent player. For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo generated €4 billion in revenue. NetCo is expected to be the only operator in Italy with a national infrastructure capable of reaching almost every home passed. With an infrastructure network that is invested across several fixed line technologies (ADSL, FTTC and FTTH), NetCo's FTTx coverage extended to 22 million homes passed and its FTTH coverage of 9.2 million homes passed as of December 31, 2023 represented 58% of its roll-out plan.

NetCo is expected to benefit from 9.0 million kilometers of backbone fiber optics, more than 7.0 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network and NetCo is also expected to benefit from a strong workforce of 19.9 thousand employees.

NetCo's fixed line network in Italy represents mission-critical strategic infrastructure.

NetCo is expected to own a wholly penetrated fixed-line network in Italy, potentially ensuring the widest national coverage through a network that will extend across several technologies, including both copper and fiber, and reaching nearly all Italian households and businesses. Its nationwide network includes 13.7 million copper accesses, providing nearly 100% FTTC coverage and NetCo is committed to increasing its 1.5 million FTTH accesses as of September 30, 2023. The scale and depth of NetCo's infrastructure makes it hard to replicate.

NetCo underpins a mission-critical fiber connectivity market with growing demand for reliability, high speeds and bandwidth from across society, including consumers, businesses, the public sector and carriers. With increasing digitization in all areas of life and business and continuous growth in Internet traffic, the mission-criticality of NetCo's fixed line network is underlined by the fact that down time in the network could trigger significant financial, social, reputational and security impacts.

NetCo has strong relationships with all major Italian operators and will further benefit from the Master Services Agreement with TIM.

NetCo is expected to have a strong customer base with blue-chip customers, in areas where it competes, and commercial relationships with all the major operators in the areas where it is the sole network provider of ADSL, FTTC and FTTH. In particular, in Black Areas, TIM Group as NetCo's anchor tenant, as well as Fastweb, Iliad and Tiscali combined account for more than half of NetCo's subscriber base. NetCo also benefits from agreements with Vodafone, WindTre and SkyWifi, either directly or via wholesale agreements with Fastweb.

Additionally, upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into a master services agreement (the “**Master Services Agreement**” or “**MSA**”) pursuant to which NetCo will provide or procure certain services to TIM and TIM will provide or procure certain services to NetCo. NetCo will mainly provide: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM’s end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM’s end customers and assurance services for solving faults experience by TIM’s end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia,) and (vi) other minor services. On the other hand, the TIM Group will mainly provide certain ancillary services including : (i) mobile telecommunication services for NetCo’s employees, (ii) hosting arrangements within TIM Group’s data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo’s employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.

NetCo reached 84% of the access services market for fixed broadband, excluding FWA, and 76% including FWA as of September 2023. NetCo is expected to become the sole wholesale provider of fixed broadband (including ADSL and FTTC) at scale in each area it serves in Italy, except for FTTH where there is network overlap in Black Areas. NetCo’s unique positioning in the fixed-line broadband market is underpinned by the extensive and comprehensive reach of its network infrastructure due to significant historical investment, which is difficult to fully replicate mainly due to the high costs and capital expenditures associated with developing a comparable infrastructure that offers similar national coverage, latency and bandwidth.

In Italy, FTTH coverage and competition is segmented according to European Union guidelines into Black, Grey and White Areas, with an added level of granularity within Grey and White Areas provided by the TIM Group’s accounting of the impact of the “Italia a 1 Giga” plan (based on management’s estimates):

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years without public support. Within these White Areas, low density area (reaching approximately 4.3 million households) s have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient.
- Grey Areas are areas in which an ultrabroadband network is present or is expected to be developed in the next three years by a single private operator per lot. Subsidies associated with the “Italia a 1 Giga” plan are allocated to only specific segments of these Grey Areas. Given the lack of significant overlap between NetCo’s and Open Fiber’s fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.
- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or are expected to be developed over the next three years. In Italy’s case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

Specifically, outside of certain Black Areas, where NetCo’s market share and that of its sole competitor, Open Fiber, are determined by wholesale agreements with telecommunications operators, there is limited FTTH overlap and NetCo is expected to remain the main FTTH provider where NetCo rolls out FTTH, as a result of unit economics and government concessions:

- In certain Grey Areas, NetCo has started to roll out its FTTH network, aiming to bring its coverage up from 19% to 100% by 2027, while competitors have no official roll-out plan in these areas and low ARPU relative to capital expenditure per house passed makes competition and overbuild, in which a network provider builds a competing network in an area already served by an existing network, economically unattractive.

- In other, more suburban Grey Areas, the roll-out of FTTH is allotted to either NetCo or Open Fiber on an exclusive, subsidized, area-by-area basis as determined by the result of the “Italia 1 Giga” tender mapping through the NRRP. In May 2022, the TIM Group was awarded seven lots for the FTTH rollout, covering approximately 2.9 million “unique addresses” that could potentially receive connectivity. This number was halved following the completion of walk-in activities in July 2023. Italy’s “Italia 1 Giga” plan aims to provide better connectivity in rural areas, covering approximately 6.9 million unique addresses. The plan involves subsidies of €3.7 billion and aims to cover areas not included in any fixed ultrabroadband roll-out plan. Under the tender scheme, subsidies to cover a maximum of 70% of the overall eligible investments are available under a roll-out timetable to be completed by June 2026. The temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop, which has been awarded €1,628 million of subsidies to roll out fiber to its seven lots under the “Italia a 1 Giga” tender represent the maximum amount of subsidies that was available to it under the scheme. As part of the Acquisition, the “Italia 1 Giga” plan and its associated subsidies will be transferred, in whole or in part, to NetCo.

In White Areas, NetCo is expected to mainly operate through its existing FTTC network. No NetCo FTTH roll out is foreseen in certain White Areas where Open Fiber operates as the sole FTTH network provider.

Although wholesale telecommunication operators in Italy currently compete on a single network, with the exception of Black Areas and certain Grey Areas where long-term wholesale agreements are in place, Italy has two main network operators deploying fiber nationally: NetCo and Open Fiber. In contrast, peer European countries such as Spain, Germany, the United Kingdom, and France feature at least four fiber network deployers focusing on different geographic areas.

Italy also features a supportive framework incentivizing investments in digital infrastructure with subsidies and support through the aforementioned “Italia a 1 Giga” plan.

NetCo operates in a very attractive Italian market with strong digitalization tailwinds and where its FTTC network provides a hedge against slow FTTH take-up.

Italy is one of the most attractive markets in Europe, having a low fixed broadband penetration rate of 66% of households in comparison to rates exceeding 80% for peer European countries as of 2021.

Italy is the only major European country to lack DOCSIS co-axial cable infrastructure, having instead one primary nationwide network for Internet connectivity based on copper infrastructure. See “*NetCo Industry Overview*.” This has resulted in an extensive, high-quality FTTC network with average distance between cabinets and premises among the shortest in Europe, thereby ensuring high connection speeds. This FTTC network provides a valuable complement to the significant opportunities for FTTH development in Italy.

These FTTC connections remain resilient and cash generative in the Italian market, delivering high speed broadband speeds of up to 200 Mbps, supporting a strong customer base in the long term. As of September 30, 2023, FTTC accounted for approximately 65% of NetCo’s subscribers, whereas FTTH and ADSL and traditional voice accounted for 11% and 25%, respectively. In the medium term, FTTC connections are expected to maintain stability as the migration from FTTC to FTTH is anticipated to be balanced by the shift from legacy technologies (primarily ADSL and traditional voice) to FTTC.

As a result of the sufficiency and quality of Italy’s FTTC connections, the FTTH market in Italy also remained underpenetrated at 13%, as compared to an average of 35% across the European Union as of September 30, 2022 (*source: FTTH Council, April 2023*), supporting significant digitization opportunities as customers migrate. The availability of FTTH in the Italian market is anticipated to grow rapidly from 53.7% coverage of homes available in 2022 to 85% by 2026, with NetCo expected to be a significant contributor to such growth. See “—*NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.*”

For NetCo, the ownership of the sole national FTTC network provides a natural hedge against the possibility of slower fiber take-up by subscribers, despite FTTH becoming widely available.

Stable revenues with large, resilient cash flows.

NetCo's strategy is underpinned by strong and stable profitability and cash flow generation with high long term visibility, with Organic EBITDA-AL for 2022 and 2023, *pro forma* after giving effect to the Transactions, of €1,812 million and €1,948 million, respectively. In particular, NetCo's resilient cash flows are further underpinned by its stable cash flow generated by its ADSL and FTTC services and certain multi-year wholesale contracts in place, including the Master Services Agreement.

After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023, NetCo's revenue amounted to €4 billion.

As NetCo rolls out its fiber network, it is expected that NetCo will significantly reduce its operational costs base and capital expenditure requirements. After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023 and 2022, NetCo's assurance and maintenance capital expenditures represented approximately 18% and 21% of its capital expenditures, respectively. FTTH and FTTC are more energy-efficient than copper, requires lower central office density and less maintenance than copper, and their greater reliability requires fewer field support staff.

KKR's track record in managing infrastructure in Italy in partnership with the TIM Group provides a strategic advantage in managing NetCo following the Transactions, as further supported by a slate of blue-chip investors

KKR is a leading global investment firm with more than \$553 billion of assets under management, including more than \$50 billion in infrastructure assets. After the Transactions, KKR will indirectly exercise sole control over NetCo. KKR will be able to provide NetCo with a dedicated team of highly experienced professionals, enhanced through the interaction with KKR Capstone, a team of approximately 100 operating executives who work with portfolio company senior managers to help identify and implement operational improvements.

KKR's investment in NetCo will follow its strong track record of investments in fiber infrastructure and will represent a natural continuation of its investment in FiberCop in which it indirectly acquired a 37.5% stake in 2021. KKR has successfully completed eight fiber transactions globally, including, among others, the acquisition of a 30% stake in the Norwegian Telenor Fiber AS in 2023 and the acquisition of a 49% stake in the Spanish dark fiber operator Eléctrica Infraestructuras de Telecomunicación SAU (Reintel) in 2022. KKR believes that through these acquisitions it has helped accelerate the speed of fiber roll-out, customers' and subscribers' migration and the overall development of the telecommunications infrastructure space in the respective countries. With its involvement in NetCo, KKR aims to leverage the strong track record and experience in Italy it has gained since the 2021 acquisition of its stake in FiberCop, the TIM Group company that combines its secondary network and its fiber network infrastructure.

Furthermore, a blue-chip slate of investors will be investing in NetCo alongside KKR, as minority shareholders on the terms set forth in the Agreed Form SHA, including (directly or indirectly) the MEF, the Abu Dhabi Investment Authority, F2i (Fondi Italiani per le Infrastrutture) and Canada Pension Plan Investment Board. This strategic partnership is expected to align NetCo's strategy with the Italian digitalization agenda. See "*Principal Shareholders of Optics—Principal Shareholders of Optics—Shareholders' Agreement.*"

NetCo's Strategy

NetCo, as a prominent independent wholesale provider of fixed broadband services in Italy, aims to benefit from growth opportunities from Italy's underpenetrated fixed broadband and ultrabroadband connections, as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of December 31, 2022 (*source: "Digital Economy and Society Index 2022" – European Commission*). The ongoing investment program to deploy FTTH, in certain areas, also benefits from government support under the NRRP for the "*Italia a 1 Giga*" and "*5G Backhauling*" initiatives, for which the TIM Group has been awarded and will receive a reimbursement totalling approximately 70% and 90% of the total eligible investments for the "*Italia a 1 Giga*" and "*5G Backhauling*" plans, respectively. Data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage and will be further supported by the FTTH deployment. As reported by AGCOM, fixed data traffic over the first nine months of the year has doubled between 2019 and 2023. Following a FTTH investment cycle, NetCo expects to become a focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers.

Leading on sustainability by advancing digitization

NetCo intends to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and digital solutions. NetCo aims to create efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste and selection of suppliers by evaluating their commitment to sustainability. The fiber roll-out is key to NetCo's sustainability project as, in addition to being more energy efficient, production of fiber results in significantly lower CO₂ emissions than copper wires, and fiber is made of abundant, non-harmful silicon dioxide. In addition, NetCo's energy-saving plan has already led to 28 GWh of fixed network energy savings in 2023 via decommissioning activities that included the shutdown of obsolete technologies and services, such as network exchanges. NetCo also adopts new processes to avoid waste and transform it into value, such as measuring the revenue generated by lower waste production and an increase in the resale of waste and unused goods

Go-to independent wholesale provider

NetCo intends to become the leading independent wholesale provider of fixed broadband services in Italy by offering services on a non-discriminatory operator-neutral basis. This will drive scale and network utilisation as well as further reinforce the aforementioned digitalization tailwinds in Italy.

Future-proofing investment program

While NetCo has built a next-generation fixed infrastructure through significant investments over time, it remains committed to further developing and future-proofing its network with the support of the NRRP plan by investing in the latest network technologies. NetCo intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage of all households by 2025, up from approximately 38% as of December 31, 2023 and approximately 32% as of December 31, 2022.

NetCo's investment plans are expected to meet customer demand for high-speed services and to provide the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. Growth in data traffic is expected to increase the utilization of NetCo's fiber network. The ongoing investment program benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives.

NetCo's cost savings potential

The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements, as fiber features lower real estate requirements, while increased take-up from the operational status of the planned deployment of FTTH network is expected to further contribute to economies of scale and growth in profitability. Further, additional significant savings are expected from other aspects of the business, including:

- the use of more efficient technology enabling a significant reduction in maintenance costs, providing for 4x savings for certain technologies; and
- the natural retirement of NetCo's workforce will contribute to adjust the staff base over time while allowing NetCo to hire young talent and reskilling the current workforce. For context, 53% of NetCo's workforce is more than 55 years old as of December 31, 2023.

Moreover, in relation to wholesale tariffs, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

NetCo's Business

With €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo is the first national independent open-source fixed-line network provider nor vertically integrated in a major European country by revenue. As the leading national broadband and ultrabroadband wholesale operator, with a significant portion of subscribers deriving from telecommunications

operators other than the TIM Group, NetCo offers critical digital infrastructure related services and products in the Italian telecommunication sector.

NetCo's network is supported by a considerable asset base, featuring approximately 9.0 million kilometers of fiber optics backbone, 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network in primary and secondary networks and more than 7 million square meters of real estate as of December 31, 2023. NetCo's strong market position is further reinforced by a significant workforce of approximately 19.9 thousand employees. This positions NetCo as the largest national open-access fixed-line network provider in terms of homes passed that functions without vertical integration.

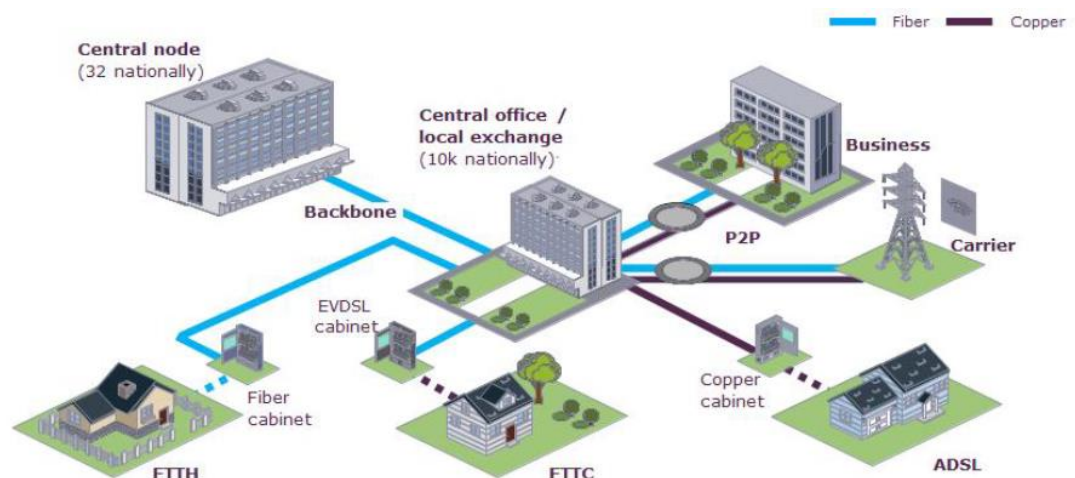
Historically, the cost-oriented model used by AGCOM for wholesale access markets offered by the TIM Group, upon the recommendation of the European Commission, is BU-LRIC⁺ (as defined below) model. The BU-LRIC⁺ model determines service pricing by considering network and equipment costs, projected sales volumes, maintenance, commercial costs and the impact of the cost of capital. However, NetCo is expected to become a wholesale-only enterprise within the scope of Article 80 of the European Electronic Communications Code (the "EECC") and Article 91 of the Italian Communications Code. Accordingly, NetCo's pricing determinations will no longer be based on a cost-oriented model but will be subject to criteria set in the AGCOM's Market Analyses. For more information, please see "NetCo Regulation" and *"Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected."* As a wholesale-only fixed-line network provider, NetCo's business model does not involve direct selling to the public but, instead, it includes a diverse range of network, broadband and ultrabroadband solutions to telecommunications operators, mainly through long-term wholesale agreements.

NetCo's business spans a comprehensive range of activities over its fixed-line network, leveraging broadband and ultrabroadband technologies. NetCo offers connectivity services (for voice and data related services) to telecommunications operators, develops fiber optic networks for wholesale clients and provides active access services and associated equipment to its access networks. In addition to these services, NetCo manages the maintenance and repair of its fixed-line network infrastructure and the care of related offices and buildings, as well as the provision of network engineering functions.

Backbone and Access Networks

NetCo's network infrastructure consists of two main components: the backbone and the access networks. The backbone consists mainly of optical fibers and transport nodes. The access network consists of copper cables, optical cables and access nodes. As of December 31, 2023, NetCo passed approximately 22 million homes with FTTC and FTTH-only (i.e. without taking into account overlaps with FTTC), demonstrating extensive coverage throughout Italy.

The graphic below shows, for illustrative purposes, the structure of NetCo's network, from the central nodes in the national backbone, to the local exchange and then onward to business and individual premises.



Source: Company information

Backbone

NetCo's backbone consists of a robust optical fiber network that connects 32 national central offices to 565 regional central offices and approximately 10,000 local central offices.

The 32 strategically located central nodes are also known as national points of presence ("PoPs") and implement the national backbone. These national PoPs are critical nodes for network traffic and are equipped with advanced control policies, service provisioning capabilities and secure customer data storage facilities owned by the telecommunication operators that buy connectivity services from NetCo. The national backbone architecture is entirely based on optical cables and designed to optimize performance and reliability.

The regional backbone consists of 565 regional central offices, regional PoPs, and connects the 32 national PoPs to the approximately 10,000 local central offices. Spanning 9.0 million kilometers, NetCo's regional backbone is constructed entirely of fiber optics cables. Through the access network it links customer sites to the PoPs of the telecommunication operators that buy connectivity services from NetCo.

Access Network

NetCo has an extensive access network infrastructure of approximately 114.4 million kilometers of copper pairs and 14.8 million kilometers of fiber passing through aerial and ducted cables, spanning the Italian territory. With respect to NetCo's FTTC network, which uses copper network to connect customer premises to the street cabinet), the fiber access network extends from the local central offices to the street cabinets, where active equipment is installed to manage the flow of information and ensure efficient and reliable communication. With respect to NetCo's FTTH network, no active equipment is installed and the access network, both primary and secondary, is entirely passive and consists of fiber optics cable and passive optical components.

Local PoPs are connected to street cabinets by either fiber or copper. As of December 31, 2023, 86% of cabinets were fiber-connected, supporting the FTTx infrastructure. The remaining 14% relied on copper connections to local PoPs, thereby providing ADSL connectivity to end-consumers. This configuration ensures a comprehensive service delivery across the network.

FTTx street cabinets are connected via optical cables directly to 3,700 out of 10,000 local central offices, thereby requiring a lower number of streets cabinets to operate.

Broadband connectivity is provided from the local central offices mainly using ADSL technology. As of December 31, 2023, NetCo's ADSL passed approximately 24 million homes.

The type of ultrabroadband connectivity provided through the street cabinets is determined by the cable infrastructure:

- **FTTC.** FTTC involves fiber connections to the cabinets, with copper lines completing the connection to households and commercial buildings. This configuration allows for higher speeds of up to 200 Mbps compared to ADSL due to the fiber connection to the cabinets, while maintaining the existing copper infrastructure to individual premises. As of December 31, 2023, NetCo's FTTC services passed approximately 22 million homes.
- **FTTH.** FTTH represents the most advanced level of service, with fiber connections running from the cabinets directly to households and commercial buildings. This offers the highest speed available, with fiber optics connections extending to both street cabinets and individual premises. The development of FTTH infrastructure is a primary focus for the Italian government, market participants and the overall advancement of the network infrastructure. In October 2022, NetCo, as part of the TIM Group, was the first operator in Italy and among the first in Europe to launch the consumer and business offer with high-performance FTTH fiber connections up to 10 Gigabits per second using its XGS-PON (10 Gigabit capable Symmetric Passive optical networks) technology. As of December 31, 2023, NetCo's FTTH services reached approximately 9.2 million homes.

NetCo's strategic deployment of its network infrastructure underscores its commitment to deliver top-tier telecommunications services and maintaining its strong market presence in Italy. The dual investment in copper and fiber technologies alongside a strategic placement of PoPs reflects NetCo's dedication to constructing a scalable and resilient network and to adapting to the changing needs of its customer base.

Business Areas

Following the successful completion of the Transactions, NetCo's business will be mainly comprised of the following three business areas: the Access Services Area, the Premium Services Area and the Others Business Services Area. In 2023, on a pro forma basis, access services, premium and other services amounted to 61%, and 39% of NetCo's revenue, respectively, whereas in 2022, these services represented 64% and 36% of NetCo's revenue, respectively. The operations of each of NetCo's three business areas are described below.

Access Services

The primary revenue driver for NetCo is its Access Services area, which includes revenue deriving from services provided to telecommunications operators which have not developed any infrastructure or have developed partial infrastructure and use NetCo's network to provide various connections to their respective retail consumers via traditional voice, ADSL, FTTC and FTTH. Given Italy's lack of DOCSIS co-axial cable infrastructure, these technologies represent the major broadband and ultrabroadband options available, setting Italy apart from other European countries where cable infrastructure may also be prevalent. For more information, please see "*NetCo Industry Overview*." NetCo's Access Services offering encompasses the full range of these connectivity solutions. For the year ended December 31, 2023, after giving pro forma effect to the Transactions, NetCo's revenue from ADSL and traditional voice services, FTTC services and FTTH services represented approximately 31%, 60% and 9% of NetCo's revenue. In 2022, these services accounted for 36%, 58% and 6% of NetCo's revenue, respectively.

NetCo, being the Italian incumbent network operator, leases, in all or in part on non-discriminatory conditions, its network to other authorized telecommunications operators ("**OAOs**") and other licensed telecommunications operators ("**OLOs**"). NetCo's comprehensive architecture, enables it to meet the specific requirements of such telecommunications operators by offering access at different points within its architecture. The services provided are tailored to the particular segment of the network that the relevant operators intend to benefit from.

Access Services network coverage

As of December 31, 2023, NetCo's access network coverage was 24 million households, excluding FWA lines. NetCo is the sole wholesale provider of FTTC services at scale in Italy serving approximately 22 million households nationwide, except for limited portions of Black Areas where Fastweb and Vodafone can compose FTTC services but must still rent passive sub-loop unbundling (SLU) from NetCo to offer connectivity from the cabinet to their respective end users (which is therefore accounted within ADSL & Traditional Voice services). NetCo is one of the only two

main fixed-line network providers of FTTH with approximately nine million households located predominantly in Black Areas. Despite a growing market preference for higher-speed connectivity, NetCo remained the sole provider of ADSL services 24 million homes passed within the same period.

NetCo's coverage varies across different areas.

Black Areas

In Black Areas, NetCo either functions as the sole provider or engages in competition with its direct competitor, Open Fiber. As of December 31, 2023, in Black Areas, NetCo was the main provider of FTTC services, with a total coverage of approximately 100% (or approximately 8.5 million households). In the FTTH segment, NetCo had a total coverage of approximately 82% (or approximately 7.0 million households) for the same year. For FTTH services, the construction of additional network infrastructure is carefully planned and executed. The aim is to achieve the most efficient use of resources and investment, known as unit economics, which helps to balance cost-efficiency with the delivery of high-quality services. As of December 31, 2023, NetCo had completed 82% of its planned FTTH roll out in Black Areas.

Grey Areas

In Grey Areas, as of December 31, 2023, NetCo maintained its position as the main FTTC network provider, with a total coverage of approximately 100% (or approximately 11 million households, of which 7.6 million are in the portion of Grey Areas subject to competition and 3.4 million are in certain other subsidized Grey Areas). In contrast to its extensive FTTC network, NetCo's FTTH infrastructure within Grey Areas subject to competition was more limited, with a total coverage reaching approximately 24% and serving approximately 1.8 million households. As of December 31, 2023, NetCo served more than 0.2 million households in certain subsidized Grey Areas through the tender awarded under the "*Italia a 1 Giga*" plan.

White Areas

In White Areas, for the year ended December 31, 2023, NetCo's FTTx coverage reached 48% (or approximately 2.3 million households).

Despite NetCo's current limited FTTH coverage in Grey and White Areas, the Italian regulatory environment is broadly supportive of fiber-based network growth, with the Italian government committed to fostering the expansion of the national telecommunications infrastructure. This commitment is evidenced by the government support, such as funds available under the NRRP for "*Italia a 1 Giga*" and "5G backhauling" initiatives, aimed at technological advancement within public administration and extending reach to rural areas, including the subsidized portions of the Grey and White Areas. For further details on NetCo's regulatory framework, please see "*NetCo Regulation*." Aligned with the Italian government's objectives, NetCo is exploring opportunities to expand into these underserved areas and is actively participating in the "*Italia a 1 Giga*" tender.

Access Services offerings

NetCo's service offerings include Bitstream Access, Virtual Unbundled Local Access (VULA) both on fiber (VULAH) and copper networks (VULAC), Unbundled Local Loop (LLU), Sub Loop Unbundled Access on copper network (SLU) and passive services (Full-GPON and semi-GPON) on FTTH network, each designed to meet the diverse needs of its customers. NetCo mainly focuses on Bitstream Access and VULA solutions.

NetCo's Access Services revenue model is structured around two key components: an initial activation fee and a recurring fee. This approach affords NetCo a clear and consistent revenue stream, ensuring stability and predictability in its financial performance.

Premium Services

In its Premium Services Area, NetCo offers a wide array of services to telecommunications operators which have not developed any infrastructure or have developed partial infrastructure. Such operators rely on NetCo's extensive network to deliver various connectivity solutions to business customers, including corporate clients and the Italian public sector. In particular, it offers six main services, as further detailed below:

- *Colocation.* NetCo offers a comprehensive colocation service, allowing OLOs to host their infrastructure within its strategically located PoPs and other sites.
- *Dark Fiber.* NetCo provides an essential service in the form of dark fiber leasing, which is a critical component for backhaul connectivity. NetCo grants OLOs an Indefeasible Right of Use (“**IRU**”) for laid, yet inactive, fiber optic cables.
- *Premium Connectivity Links.* NetCo offers a connectivity service, catering to operators with a need for high-grade, high-performance connectivity solutions for their business clients.
- *Infrastructure.* NetCo provides a suite of infrastructure services spanning from essential backhauling solutions to access to advanced network capabilities. It offers an IRU to operators, granting them the right to access or use the route between cable pit ‘one’ of a local exchange and cable pit ‘one’ of a higher-level exchange.
- *Others.* NetCo is set to expand its service offerings to include operations and maintenance and other related services.

Other Services

The Other Services mainly relates to technical assistance services, awarded government subsidies as well as certain services rendered to the TIM Group under the Master Services Agreement. See “*Summary— The Transactions— Master Services Agreement*” for further details.

Property and Leases

As of December 31, 2023, NetCo managed operations across approximately 14,200 offices, industrial complexes, mixed-use properties and parcels of land, covering a total area of more than 7 million square meters, of which 29% were directly owned.

Intellectual Property

As part of its business operations, NetCo may take actions to protect its proprietary rights in its network and related technology, including through registration of trademarks and application for patents. As of December 31, 2023, none of NetCo’s patents are material to its business and business operations.

Patents

As of December 31, 2023, NetCo held 68 issued patents and an additional 5 patents applications pending. Typically, patents are protected for a duration of 20 years. The patents currently held by NetCo are scheduled to expire at various times between the years 2025 and 2043, with 43 of these patents set to expire by December 2030. As of December 31, 2023, NetCo has not been made aware of any legal challenges to the validity of its patents by any third parties.

Customers

NetCo is the leading national provider of wholesale broadband and ultrabroadband services in Italy, extending its services to approximately 5,750 municipalities and passing approximately 22 million homes with FTTC and FTTH-only (i.e. without taking into account overlaps with FTTC) as of December 31, 2023, after giving effect to the Transactions. Remarkably, a significant portion of such customer base is derived from a variety of operators other than the TIM Group, demonstrating NetCo’s extensive market penetration and capacity to attract a diverse range of end-users.

Through its services, and indirectly through its customer base of approximately 550 telecommunications operators, NetCo reached approximately 84% of the access services market for fixed broadband, excluding FWA and 76% including FWA, as of September 2023 and more than 60% of the premium connectivity market as of December 31, 2022, spanning from consumer customers, SMEs, SOHOs, the Italian public sector and other large accounts, enterprises, fixed-line telecommunications operators, Internet service providers or access service providers in the

wholesale market to multinational companies. Furthermore, its customer base is predominantly national, with approximately 59.0 million of subscribers being Italian, reflecting a well-distributed demographic reach across the country.

In Black Areas, NetCo's key tenants include TIM and Fastweb, with Iliad and Tiscali also being tenants outside of Black Areas, NetCo's key tenants expand to also encompass Vodafone, Wind3, Sky Wifi, and other telecommunications operators.

NetCo is committed to sustaining its strategic, multi-year relationships with its direct customers, striving to be an irreplaceable component of their operations. NetCo's customer relationships are characterized by multi-year business relationships. This includes a cadre of anchor customers, which, following the successful completion of the Transactions, will include the TIM Group, which is one of NetCo's anchor clients, accounting for a significant portion of NetCo's revenue. For further information see *Summary—The Transactions—Master Services Agreement*.” A portion of the TIM Group's customers will transition to NetCo, further solidifying NetCo's customer base. Additionally, NetCo has established wholesale agreements with most of the principal operators in competing areas, ensuring a competitive edge and fostering enduring partnerships. This strategic positioning allows NetCo to leverage its unique market status to secure favorable terms and maintain multi-year customer relationships.

Material Contracts

NetCo's business derives mainly from multi-year wholesale agreements with business and retail telecommunications operators. NetCo's customer relationships vary with the type of connectivity service provided. As the leading FTTC provider, NetCo provides network access to all telecommunications operators in Italy. In the FTTH market, NetCo competes mainly with Open Fiber in Black Areas due to overlapping networks. In White and Grey Areas, although both NetCo and Open Fiber operate, their networks do not currently have significant overlapping coverage. See “*NetCo Industry Overview*” for further information. As a result, in Black Areas, NetCo has developed strong relationships with certain key clients, including the TIM Group and Fastweb.

TIM Group

The TIM Group is the natural anchor tenant of NetCo mainly due to historical ownership reasons and the Master Services Agreement expected to be signed on the Acquisition Closing Date. See “*Summary—The Transactions—The Master Services Agreement*.”

Master Services Agreement

Please see “*Summary—The Transactions—Master Services Agreement*.”

Transitional Services Agreement

Please see “*Summary—The Transactions—Transitional Services Agreement*.”

Employees

As a result of the Transactions, a number of employees from the TIM Group will transition to NetCo. See “*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—NetCo is exposed to the risk of labor disputes*” and “*Business—The TIM Group—Employees*.” As of December 31, 2023, after giving pro forma effect to the Transactions, NetCo had approximately 19.9 thousand employees, approximately 19.0 thousand of which were full-time employees. The average age of NetCo's employees was 53. As of December 31, 2023, approximately 20% of women hold managerial positions in NetCo.

The majority of NetCo's employees' relationships is subject to collective bargaining agreements. In general, the collective bargaining agreements include terms that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. NetCo's employees in Italy are subject to various collective bargaining agreements (*contratti collettivi nazionali di lavoro*) (“CCNL”) including, CCNL for employees in the telecommunications sector, and CCNL for executives in the industrial sector.

NetCo is required by Italian law to employ employees considered by law to be disabled in a percentage constituting at least 7% of its workforce. It is also required by Italian law to employ employees considered by law to be disadvantaged in a percentage constituting at least 1% of its workforce. As of December 31, 2023, the TIM's Group did not have the required number of employees considered by law to be disabled, but because it had opened a collective redundancy procedure its obligations were suspended for the duration of the procedure. Following successful completion of the Transactions, NetCo is expected to start the affiliation procedures with the employment centers of certain Italian large cities.

Pensions

Italian law provides that, upon termination of employment, Italian employees are entitled to severance (*pagamento di fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. NetCo has in place both defined-contribution and defined-benefit pension plans. NetCo makes pension contributions on behalf of its employees as required by applicable Italian law. Other than increases in contributions required by law, no significant pension liabilities are expected going forward. All obligations, liabilities and commitments that relate to employees (including among other things, liabilities for statutory severance (*pagamento di fine rapporto*), bonus payment obligations and statutory social security contributions) accrued until the Acquisition Closing Date that are recorded for the purposes of determining the consideration for the contribution from the TIM Group to NetCo will be transferred to NetCo. Without prejudice to the obligations undertaken towards employees, which NetCo will be required to respect, in the context of the Transactions, the liabilities towards the employees that will be transferred from the TIM Group to NetCo (including, without limitation, severance payments, statutory social security liability or any salary increases not in the ordinary course of business compared with the last twelve months prior to Acquisition Closing Date) that have arisen or accrued prior to the Acquisition Closing Date or as a result of the Transactions will not be transferred to NetCo.

Insurance

NetCo maintains insurance coverage for property damage, data breaches, business interruptions, directors' and officers' liability, professional indemnity, third party liability, product liability, employer's liability, crimes, goods in transit liability and construction related liability. NetCo's insurance coverage is regularly reviewed to ensure that it is adequate, and that deductibles and premiums are at reasonable levels. NetCo does not insure against certain operational risks for which insurance is unavailable or which can only be insured at unreasonable terms, such as political risk, war and terrorism. NetCo retains levels of risks insured, risks retained and the limits of insurance indemnity which are mainly in line with the industry practice, but it cannot guarantee that it could not be adversely affected by damage or accidents despite possessing said insurance coverage. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—Uninsured losses, losses in excess of insurance coverage for certain risks and unanticipated changes in NetCo's insurance costs could have a material adverse effect on its business, financial condition, cash flows and/or results of operations*" for further details.

Environmental, Social and Governance

NetCo is dedicated to ensuring its business operations are respectful of ESG principles in all spheres of its operations. One of its primary goals is to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and solutions.

Fiber optics are significantly more energy-efficient than copper, with estimates suggesting that fiber is significantly more energy-efficient. Additionally, fiber-based networks require fewer central offices, enabling a reduction in central office density when transitioning from copper to fiber. This consolidation contributes to lower energy consumption and operational costs.

Maintenance demands for fiber are also substantially lower than for copper. The durability of fiber, less susceptible to atmospheric conditions, results fewer faults and a longer mean time between failures in comparison to copper. Consequently, the shift to fiber is expected to result in a considerable reduction in maintenance costs.

From an environmental perspective, the production of fiber optics is associated with significantly lower CO₂ emissions compared to the production of copper wires.

NetCo takes steps to regularly monitor its operations to ensure that it can unceasingly improve its performance. By pursuing these strategies, NetCo can contribute to economic prosperity, environmental resilience and societal well-being, thereby shaping a more sustainable and inclusive future for Italy.

Environmental

NetCo's commitment to the implementation of ESG criteria and values includes, among other things, the greater use of renewable sources of energy, decommissioning activities and the adoption of responsible processes to avoid waste and transform it into added value.

NetCo is in the process of pursuing a strategic transition from copper to fiber-based infrastructure, recognizing the long-term sustainability benefits of fiber as a superior alternative to the legacy copper network. This shift is not only aimed at enhancing the technological capabilities offered to its customers but also at minimizing NetCo's environmental impact. In particular, NetCo aims at creating a sustainable and efficient infrastructure with an increasing use of renewable energy, decommissioning activities and a selection of suppliers committed to sustainability. Fiber optics are significantly more energy-efficient than copper and their production and use result in significantly lower CO₂ emissions compared to copper wires. Moreover, fiber is composed of silicon dioxide, the second most abundant material on the earth's crust, and its use does not pose environmental hazards. The decommissioning of copper networks also presents an opportunity to generate a stockpile of copper that can be recycled, further contributing to circular economy and resource efficiency.

For the year ended December 31, 2023, NetCo's energy-saving plan led to 28 GWh of fixed-line network energy savings and decommissioning activities, including shutting down obsolete technologies and services, contributed to these savings. These actions will accelerate in the next years with projects aiming at switching off legacy technologies.

Social

Beyond environmental considerations, NetCo is equally dedicated to amplifying its positive social impact. This commitment is underscored by efforts to expand FTTH coverage, thereby advancing digital service penetration and addressing the Italian Digital Divide, which affected approximately 38%, or 9.2 million, of households as of December 31, 2023.

In addition, NetCo is deeply committed to continue investing in its human resources and to cultivating an inclusive and diverse corporate culture with certain initiatives aimed at promoting gender equality, bridging the digital divide and enhancing media literacy.

Furthermore, NetCo has developed a comprehensive corporate welfare framework designed to support the well-being of its employees and to nurture a strong sense of belonging within the organization.

Governance

NetCo has inherited the TIM Group's long-lasting achievements in sustainability, responsibility and positive impact on its operations and the community, further strengthening NetCo's ESG governance. Through regular monitoring and reporting, NetCo ensures diligent oversight and transparent communication of its projects and objectives. Engaging with stakeholders remains a cornerstone of NetCo's approach, essential for measuring progress and fostering ongoing enhancement.

Legal Proceedings and Disputes

As of the date of this Exchange Offer Memorandum, NetCo is not currently involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on its reputation, results of operations and financial condition. See *"Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—NetCo may be involved in disputes and litigation with regulators, competition authorities, competitors and other parties and may become the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain."*

TIM GROUP INDUSTRY OVERVIEW

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Exchange Offer Memorandum is based on the TIM Group's own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in the TIM Group's relying on its own knowledge of the industry and markets it operates in and its own internally developed estimates. Certain of the information presented herein has been derived from external sources, including reports prepared by a major consulting firm, public websites and company financial reports and other independent third-party research. Any third-party sources the TIM Group uses generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while the TIM Group believes that internal surveys, industry forecasts, customer feedback and market research the TIM Group has used in making its estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. There can be no assurance that any of the assumptions underlying these statements are accurate or correctly reflect the TIM Group's position in the industry or the relevant markets, and none of the TIM Group's internal surveys or information have been verified by any independent sources. None of the TIM Group or the Dealer Managers makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Exchange Offer Memorandum, and none of the TIM Group or the Dealer Managers have independently verified this information and cannot guarantee its accuracy.

Italian market overview

As of September 30, 2023, the TIM Group held a leading position in Italy across the fixed broadband and mobile (total SIM) markets, with retail market shares of approximately 40% and approximately 28%, respectively by number of lines (Source: Market shares as per AGCOM (Communication market monitoring system no. 4/2023), data as of September 2023).

Italy's population in 2022 was 58.9 million (the third largest country by population in the EU) with 25.3 million households in 2022 according to data from ISTAT. Approximately 72% of the population lives in urban areas and 28% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 40 basis points per year between 2010 and 2022. Italy is a founding member state and the third largest economy in the EU with a GDP of USD 2.0 trillion and GDP per capita of USD 34,776 in 2022, according to data from the World Bank. The effects of the COVID-19 pandemic, which struck Italy before the other European countries, resulted in a slowdown of the Italian economy of 9.0% in 2020, followed by a rebound of 8.3% in 2021 and 3.7% in 2022. According to the Bank of Italy, Italy's gross domestic product is expected to record a growth of 0.6% in 2024. Such growth is in line with the growth recorded in 2023, which was mainly due to a high inflationary environment and tightening of financial conditions.

As of the date of this Exchange Offer Memorandum, Italy is rated by Moody's, S&P and Fitch (collectively the "Rating Agencies") at Baa3, BBB, and BBB, respectively. All three ratings have been reconfirmed by the Rating Agencies in the past six months. Italian household expenditure on telecommunications services comprised 1.9% of total expenditures, while revenues on telecommunications services represented 1.4% of the GDP in 2022.

The Italian telecommunications market generated €26.9 billion (including wholesale) during the twelve months ended December 31, 2022, slightly decreasing by approximately 3.3% year over year, mostly as a result of declining prices. In particular:

- revenues generated by the Italian mobile market decreased by approximately 5.3%, to €11.7 billion; and
- revenues generated by the Italian fixed broadband market decreased by approximately 1.7%, to €15.2 billion.

The COVID-19 pandemic and the consequent measures put in place by the Italian government to limit social interactions resulted in a strong increase of data traffic per line. Hence, following the COVID-19 pandemic, the annual average daily unitary data traffic increased by approximately 48.7% and approximately 56.5% year on year in 2020

for the fixed and mobile networks respectively, and continued to grow both in 2021 and 2022. As a result, the average daily data traffic for 2022 was 23.7% and 69.6% higher compared to 2020 for the fixed and mobile networks, respectively according to AGCOM. The growth was confirmed also in the first nine months of 2023, where average daily data traffic was higher if compared to the same period of 2022, with a growth of 13.3% and 22.3% for the fixed and mobile networks, respectively.

The Italian telecommunications market is rapidly evolving, mainly due to the deployment of broadband and ultrabroadband technologies, with the introduction and expansion of 5G mobile, FTTC and FTTH networks. The market has seen approximately €46 billion of investments in fixed assets between 2017 and 2022, approximately 4.9% of all investment activities in the Italian economy. The digital modernization of Italy's communication infrastructure is accelerating due to the substantial investments provided under the NRRP, approximately 27% of which will be allocated to support the digital transition – *see below*. The growing availability of ultrabroadband connections is increasingly allowing operators to develop converged offerings combining telecommunication services with media and entertainment, IT and digital services.

The Italian telecommunications market remains highly competitive, especially in the voice and data connectivity services. Moreover, in the new digital world, telecommunication operators have to deal with over-the-top (“OTT”) and device manufacturers with completely different assets and competitive logics. In this context, traditional telecommunication players had to adapt their business models to seize new opportunities, limit the threats from new competitors and develop customized offering to avoid a trend for on-going commoditization of their traditional services. This occurs particularly in the following markets:

- media and entertainment, which sees further development of video-on-demand (“VOD”) and subscription video-on-demand (“SVOD”) and OTT services, implying an increasing demand for ultrabroadband connectivity; and
- information and communication technology, where the traditional fixed and mobile connectivity solutions tend to decrease in favor of IT components linked to digital transformation, for example with the adoption of cloud solutions supporting the technological infrastructures of large businesses. In this sector, telecommunications operators are best positioned to monetize future growth that should be driven by the digitization of SMBs and NRRP investments in the coming years.

The current positioning of telecommunications operators in convergent markets is therefore expected to evolve through:

- the development of new services in the media and entertainment sector (e.g., TV, Music and Gaming) and new digital services (e.g., smart home, digital advertising and mobile payment-digital identity); and
- the development of Innovative Services in the IT market, in particular in the end-to-end connectivity, Cloud, IoT, AI and Cybersecurity fields.

National Recovery and Resilience Plan (NRRP)

In June 2021, the European Commission approved the recovery and resilience plan submitted by Italy. This forms part of the EU's coordinated response to the COVID-19 pandemic with a focus on a green and digital transition from the pandemic. Italy's recovery and resilience plan allocates 27% of NRRP funds to support the digital transition. Measures under the digital transition plan will support the digitalization of businesses and the expansion of ultrafast broadband networks and 5G connectivity. Italy's recovery and resilience plan sets out a series of initiatives with the aim of taking ultrabroadband connections throughout Italy by the end of 2026 and full 5G coverage of the populated areas fixed by the new European Digital Compass Strategy for 2030. Funds specifically allocated to network connectivity total to €6.7 billion and have been broadly allocated as follows:

- “Italia a 1 Giga” plan: €3.86 billion;
- “Italia 5G” Plan: €2.02 billion;
- “Sanità Connessa” (Connected Health) plan: €0.50 billion;

- “Scuola Connessa” (Connected Schools) plan: €0.26 billion; and
- “Collegamento Isole Minori” (Smaller Islands Connection) plan: €0.06 billion.

It is expected that the stimulus effect on economic activity of the remaining NRRP funds will also boost the growth in the digital economy and related infrastructure and that this will also indirectly stimulate growth for the country’s telecommunications operators.

Overview of the Italian Fixed Broadband market and competitive landscape

Generating revenue of approximately €15 billion (including wholesale) during the year ended December 31, 2022, Italy is the fourth-largest fixed-line market in Europe (Source: AGCOM). While the Italian fixed telecommunications market continues to be marked by declining fixed voice revenues, broadband and ultrabroadband revenues continue to experience steady growth. There were 18.9 million broadband and ultrafast broadband subscribers as of September 30, 2023. Additionally, there were 20.1 million fixed lines in Italy as of September 30, 2023 (Source: AGCOM) and the Italian broadband market is expected to grow at 0.8% CAGR.

Due to the absence of cable infrastructure and difficult topography, FTTC connections remain a resilient alternative in the Italian market, with an average distance between cabinets and premises among the shortest in Europe, allowing high connection speeds. Similarly, the FTTH market in Italy also remains underpenetrated, at 13% as compared to an average of 35% across the European Union as of September 30, 2022 (Source: FTTH Council, April 2023). Over the last five years the proportion of active DSL lines has declined at a rapid pace, falling from 65.3% in 2017 to 13.5% of total fixed lines subscriptions as of September 30, 2023. In parallel, higher-quality access technologies have increased considerably, with FTTC and FTTH connections reaching 14.2 million as of September 30, 2023, up from 1.6 million of 2017 (Source: AGCOM). The ultrafast broadband technologies can achieve different speeds, with FTTC ranging from 30 Mbps to 200 Mbps, FTTH 10 Gbps, and FWA 40 Mbps (4G) to 300 Mbps (5G).

This momentum has increased the proportion of lines with higher broadband speed within the total commercially available connections: the proportion of lines with speeds of more than 30 Mbps of total broadband and ultrafast broadband lines rose from 34.8% in 2018 to 77.3% as of June 30, 2023. Data consumption over the same time period has increased at a rapid pace, the average daily data traffic increased from approximately 70 PetaBytes (“PB”) in 2019 to over 148 PB in the first 9 months of 2023 with an average daily traffic per broadband line increasing from approximately 4GB to over 8GB. The expansion of broadband continues to be driven not only by the evolution of enabling devices (e.g., smart TVs, smart speakers, connected devices, etc.), but also by the growing demand for speed and IP services (e.g., media and entertainment, IT, digital services). Growing consumption of data services by businesses is also expected to accelerate the adoption of fixed broadband, including growth in the utilization of cloud services, IOT urban, industrial and merchant services as well as cybersecurity.

In recent years, telecommunication operators have mainly focused on developing broadband and ultrabroadband penetration and defending voice through the introduction of bundled voice, broadband and services packages, in a context of high competition with significant pressure on prices.

The competitive landscape in the Italian fixed broadband market is dominated by TIM Group with 38.4% retail market share as of September 30, 2023, which is more than two times larger than the next competitor, Vodafone with a 16.5% market share. Following the Transaction, TIM Group will continue to provide retail fixed broadband connectivity services to its customers through the Master Services Agreement with NetCo. See “*Summary—The Transactions.*”

Competition in the retail fixed broadband market also includes other ISPs such as WindTre and Fastweb, and new entrants such as Sky, Tiscali, Poste, Enel and Iliad. The latter launched its fixed broadband offer in January 2022, achieving 172,000 subscribers as of September 30, 2023. Some competition comes as well from FWA providers, such as EOLO and Linkem (approximately 3% and 2% of total fixed broadband connections, respectively). However, the FWA technology remains limited representing only approximately 2.1 million connections as of September 30, 2023, or approximately 10.3% of the total broadband lines in Italy.

Overview of the Italian Mobile market and competitive landscape

The Italian mobile telecommunications market generated approximately €11.7 billion revenues for the year ended December 31, 2022, posting a decrease of approximately 5.3% if compared to the previous year. As of September 30, 2023, the mobile telephony market in Italy counted approximately 78.9 million users (corresponding to human SIM cards in use, excluding M2M (as defined below)), broadly stable compared to the prior year (+0.4%), with a mobile phone penetration rate of approximately 134%. The number of “human” SIMs has declined in recent years as a result of the impact of economic conditions on consumers’ purchasing power, and the spread of attractive off-net voice rates which have reduced the need for multiple SIMs per user. On the other hand, Machine to Machine (“**M2M**”) SIM cards, for internet-enabled devices and sensors (IoT), have continued to grow in 2023 by approximately 3.7% year over year, reaching 29.7 million connections as of September 30, 2023.

Historically, the vast majority of “human” SIMs were activated under prepaid offers, averaging 88% over the last four years (between September 30, 2019, and September 30, 2023). The Italian mobile telephony market is composed of approximately 87% residential and approximately 13% business users (this contrasts with the fixed telecommunications market where business spending represents a larger proportion of the total).

Voice traffic at 192 billion minutes has remained broadly stable with 1.7% CAGR between 2019 and 2022, while the average monthly mobile data traffic per SIM has continued to grow at 36.6% over the same period. The mobile telephony price index, however, kept decreasing at 0.9% CAGR between September 2019 and September 2023 under strong competitive pressure. Mobile service spending has also declined by 5.5% between 2019 and 2022.

The competitive dynamic of the Italian mobile market continues to be marked by an aggressive offering by Iliad, both in terms of price and mobile data plans. Following its entry in the Italian mobile market in 2018 on the back of the remedies imposed on the merger of Wind and Tre, Iliad has gained approximately 13% of the market share (based on “human” lines) as of September 30, 2023, mainly at the expense of largest mobile national operators (“**MNOs**”). Despite this, TIM Group still maintains a strong position with approximately 24% of mobile market share (only human SIMs), almost at par with WindTre (approximately 25%) and Vodafone (approximately 22%). In the post-paid segment, TIM continues to hold a dominant position with approximately 51% market share. In addition, a large number of MVNOs, such as Poste Mobile, Fastweb, Lycamobile, Coop Voce and Tiscali, are active in the Italian mobile market, corresponding to a cumulative market share of approximately 16% as of September 30, 2023. Several existing MVNOs (e.g., Fastweb, Coop Voce and Tiscali) are using TIM’s mobile network to connect their customers, implying additional wholesale revenue for TIM.

Lately, the fierce competition in the mobile market has been decreasing. This was reflected in the stabilization of mobile number portability, with the number of portability operations reduced by approximately 45% between the year ended December 31, 2019 and the year ended December 31, 2023. For the year ended December 31, 2023, the TIM Group was a competitive MNO in Italy in terms of market mobile number portability, with a net balance of a loss of approximately 129 thousand lines, in comparison to a net balance of a loss of approximately 379 thousand lines for the year ended December 31, 2021. Additionally, in the year ended December 31, 2023, the TIM Group also saw an ARPU rebound, with €11.2 per month human Calling ARPU (net of mobile termination rate (“**MTR**”) discontinuity), an increase of 1.6% year-on-year.

Similarly, cumulative market share erosion of the three largest players (i.e. TIM, WindTre and Vodafone) has been slowing down, representing a 2.5% decrease from September 2022 to September 2023, compared to a decrease of 4.3% from September 2019 to September 2020 (based on “human” lines). The pricing pressure on tariffs has also been easing up, with major mobile operators increasing prices of packages with a “more for more” proposition, offering best-in-class network performance and quality of services. Moreover, some operators, including TIM, have started introducing a CPI-linked mechanisms in their customer contracts. This initiative is supported by AGCOM, who recently published new guidelines for annual CPI-linked price adjustments from 2024. According to the new guidelines for annual CPI-linked price adjustments, CPI-linked price adjustments are not qualified as a change of contract conditions (i.e. there is no right for customers to withdraw without penalty). To include CPI-linked price adjustments in existing contracts, it will require explicit acceptance by the end-user to such adjustments (otherwise, contract is maintained until its expiry of a maximum of two years); and on new contracts, CPI-linked price adjustments can be included through a specific clause. As a part of the approval process of these new guidelines, public consultation process was launched by AGCOM on April 11, 2023, and with final approval granted on December 5, 2023 (Source: AGCOM).

Looking forward, the on-going 5G deployment and the development of mobile broadband is expected to unlock significant growth potential in the medium term, namely through such services as Mobile Payment and the Internet of Things.

Brazilian market overview

In Brazil, the Brazil Business Unit offers mobile voice and data services, broadband internet access, value-added services and other telecommunications services and products. The TIM Group is one of the key players in the Brazilian market and a leader in full 4G coverage of areas where approximately 99% of the Brazilian population lives and works. As of December 31, 2023, the TIM Group held approximately 24% market share of the Brazilian mobile market, being a strong (the third largest) operator, and approximately 2.7% of the fixed broadband market, offering access via its FTTC and FTTH, as of November 30, 2023.

Brazil is the largest economy in Latin America with a GDP of \$1.9 trillion and GDP per capita of \$8,918 in 2022 according to data from the World Bank. The effects of COVID-19 pandemic resulted in a contraction of the Brazilian economy by a decrease of the GDP by 3.3% in 2020, with a subsequent recovery of 5.0% in 2021, 2.9% in 2022 and grew 2.9% in 2023. Brazil's population in 2022 was 203.1 million. Approximately 88% of the population lives in urban areas and 12% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 31 basis points per year between 2010 and 2022.

The Brazilian mobile and fixed broadband market accounted together for 302.1 million lines as of November 30, 2023, increasing by approximately 1.5% year-on-year, thanks to the growth in both mobile and fixed broadband. In particular:

- Total mobile lines amounted to 254.9 million, increasing 0.1% year on year; and
- Total fixed broadband lines amounted to 47.2 million, increasing by approximately 5.5% year on year.

Overview of the Brazilian Mobile market and competitive landscape

The number of “human” SIMs in the Brazilian market shrunk over 18 months ended November 2023, posting a decrease of 4.5% between June 2022 and December 2023, mainly driven by the deactivation of a large number of inactive former Oi accounts. As a result, the number of total mobile lines has stabilized at approximately 213 million as of December 2023. The number of M2M SIMs, on the other hand, has grown by 10.2% year-on-year to 43.0 million as of December 2023. The proportion of post-paid SIMs has increased to approximately 58% of total SIM cards in December 2023, growing by approximately 310 basis points per year since 2018.

4G has established itself as the leading mobile technology, available in all 5,570 municipalities and accounting for approximately 76% of total lines as of December 2023 compared to approximately 57% five years ago (December 2018). The deployment of 4G LTE technology has been a key area of competition for Brazil's mobile operators. 5G technology has also been emerging over the past 24 months, accounting for approximately 7% of total lines (or 19 million lines) as of November 30, 2023, more than doubling in the last 6-8 months.

Brazilian mobile market is relatively mature, with a high penetration of mobile services (approximately 126% as of December 2023). However, rapid growth in mobile data consumption, demand for LTE, 5G and digital services, as well as the on-going migration of clients from prepaid to postpaid plans offer good growth potential for the market going forward.

In April 2022, the TIM Group, Vivo and Claro, have completed the acquisition of Oi's mobile assets, leading to a market consolidation from 4 to 3 main players who accounted together for approximately 96% of all mobile lines as of December 2023. As a result, the TIM Group's mobile customer base grew from 52.3 million in March 2022 to 61.2 million in December 2023, implying a 23.9% market share following the integration of Oi mobile customer base. The TIM Group competes with two other MNOs, Vivo with 38.7% market share and Claro with 33.8% market share. The in-market consolidation is expected to help customer base and ARPU stabilization in the market.

Overview of the Brazilian Fixed market and competitive landscape

The subscriber technology mix is progressively shifting away from cable towards FTTH, which accounted for approximately 74% of total accesses as of November 30, 2023, compared to approximately 30% in November 2019. This trend results in a positive impact on average speeds with approximately 90% of fixed broadband accesses benefitting from speeds of over 34Mbps as of December 2023, compared to approximately 59% three years ago.

Brazilian fixed broadband market remains highly fragmented and characterized by fierce competition and price wars. Small and medium-size regional ISPs represent approximately 54% of the market as of December 2023, while the large telecommunication operators, Claro, Vivo and Oi, command approximately 21%, approximately 14% and approximately 10% market shares, respectively.

The presence of the TIM Group on the fixed broadband market remains limited with a market share of approximately 2% as of December 2023, comparable to other smaller ISPs.

NETCO INDUSTRY OVERVIEW

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Exchange Offer Memorandum represent NetCo's industry overview after giving effect to the Transactions, and is based on the TIM Group's own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in the TIM Group relying on its own knowledge of the industry and markets the NetCo operates in and the TIM Group's own internally developed estimates. Certain of the information presented herein has been derived from external sources, including reports prepared by a major consulting firm, public websites and company financial reports and other independent third-party research. Any third-party sources the TIM Group uses generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research the TIM Group has used in making its estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. There can be no assurance that any of the assumptions underlying these statements are accurate or correctly reflect NetCo's position in the industry or the relevant markets, and none of the TIM Group's internal surveys or information have been verified by any independent sources. None of the Issuer or the Dealer Managers makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Exchange Offer Memorandum, and none of the Issuer or the Dealer Managers have independently verified this information and cannot guarantee its accuracy.

Italian market overview

As of December 31, 2023, NetCo holds a leading position in Italy in the fixed access market, with 15.5 million accesses.

Italy's population in 2022 was 58.9 million (the third largest country by population in the EU) with 25.3 million households in 2022 according to data from ISTAT. Approximately 72% of the population lives in urban areas and 28% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 40 basis points per year between 2010 and 2022. Italy is a founding member state and the third largest economy in the EU with a GDP of USD 2.0 trillion and GDP per capita of USD 34,776 in 2022, according to data from the World Bank. The effects of the COVID-19 pandemic, which struck Italy before the other European countries, resulted in a slowdown of the Italian economy of 9.0% in 2020, followed by a rebound of 8.3% in 2021, and 3.7% in 2022. According to the Bank of Italy, Italy's gross domestic product is expected to record a growth of 0.6% in 2024. Such growth is in line with the growth recorded in 2023, which was mainly due to a high inflationary environment and tightening of financial conditions.

As of the date of this Exchange Offer Memorandum, Italy is rated by Moody's, S&P and Fitch (collectively the "Rating Agencies") at Baa3, BBB, and BBB, respectively. All three ratings have been reconfirmed by the Rating Agencies in the past six months. Italian household expenditure on telecommunications services comprised 1.9% of total expenditures, while revenues on telecommunications services represented 1.4% of the GDP in 2022.

The Italian telecommunications market generated €26.9 billion (including wholesale) during the twelve months ended December 31, 2022, slightly decreasing by approximately 3.3% year over year, mostly as a result of declining prices. In particular, revenues generated by the Italian fixed market decreased by approximately 1.7%, to €15.2 billion.

The COVID-19 pandemic and the consequent measures put in place by the Italian Government to limit the social interactions resulted in a strong increase of data traffic per line. Hence, following the COVID-19 pandemic, the annual average daily unitary data traffic increased by approximately 48.7% and approximately 56.5% year on year in 2020 for the fixed and mobile networks respectively, and continued to grow both in 2021 and 2022. As a result, the average daily data traffic for 2022 was 25.6% and 69.6% higher compared to 2020 for the fixed and mobile networks, respectively. The growth was confirmed also in the first nine months of 2023, where average daily data traffic was higher if compared to the same period of 2022, with a growth of 13.3% and 22.3% for the fixed and mobile networks, respectively.

The Italian telecommunications market is rapidly evolving, mainly due to the deployment of broadband and ultrabroadband technologies, with the introduction and expansion of 5G mobile, FTTC, and FTTH fixed networks. The market has seen approximately €46 billion of investments in fixed and mobile assets between 2017 and 2022, approximately 4.9% of all investment activities in the Italian economy.

The digital modernization of Italy's communication infrastructure is accelerating due to the substantial investments provided under the NRRP, a plan approved by the European Commission in June 2021 in response to the COVID-19 pandemic with a focus on green and digital transition following the pandemic. Italy's recovery and resilience plan allocates 27% of NRRP funds to support such digital transition and sets out a series of initiatives with the aim of taking ultrabroadband connections throughout Italy by the end of 2026 and full 5G coverage of the populated areas set by the new European Digital Compass Strategy for 2030. Funds specifically allocated to network connectivity total to €6.7 billion and have been broadly allocated as follows: (i) "*Italia a 1 Giga*" plan: €3.86 billion, (ii) "*Italia 5G*" Plan: €2.02 billion, (iii) "*Sanità Connessa*" (Connected Health) plan: €0.50 billion, (iv) "*Scuola Connessa*" (Connected Schools) plan: €0.26 billion, and (v) "*Collagamento Isole Minori*" (Smaller Islands) plan: €0.06 billion.

In connection with the "*Italia a 1 Giga*" plan of €3.86 billion, a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop was awarded 7 of the 15 lots provided under the plan, which was tendered out by Infratel, with a value of more than €1.6 billion in funding, as well as approximately €1 billion in direct investment from the TIM Group. The regions in which the awarded lots are located are Piedmont, Valle d'Aosta, Liguria, Abruzzo, Molise, Sardinia, Umbria, Marche, Calabria and Basilicata, as well as the autonomous Provinces of Trento and Bolzano.

It is expected that the stimulus impact on economic activity of the remaining NRRP funds will also boost the growth in the digital economy and related infrastructure. The growing availability of ultrabroadband connections is increasingly allowing operators to develop converged offerings combining telecommunication services with media and entertainment, IT and digital services.

Overview of the Italian Fixed Broadband market and competitive landscape

Generating revenue of approximately €15 billion (including wholesale), Italy is the fourth-largest fixed-line market in Europe (Source: AGCOM). While the Italian fixed telecommunications market continues to be marked by declining fixed voice revenues, broadband and ultrabroadband revenues continue to experience steady growth. There were 18.9 million broadband and ultra broadband subscribers as of September 30, 2023, which resulted in a broadband penetration of approximately 75% if compared to Italy's 25.3 million households according to data from ISTAT. Several telecommunications providers offer retail fixed-line access services to these subscribers. According to AGCOM, as of September 30, 2023, TIM, Fastweb, Tiscali, Vodafone, Wind3, Sky Wifi and others held approximately 38%, 14%, 4%, 17%, 14%, 3% and 10% market share in terms of broadband and ultrabroadband retail services, respectively. Furthermore, with other European countries such as France, Germany, Spain, and the United Kingdom achieving broadband penetration in terms of households of approximately 103%, 92%, 91%, 101%, respectively Italy's market is comparatively underpenetrated.

Furthermore, in the European telecommunications landscape, Italy stands out for its attractive and competitive wholesale FTTH access pricing. The average VULA FTTH access price in Italy is €14 per month per line, which is lower compared to other major European markets. For instance, in France, the average price as of March 30, 2021 was €15 for dense areas. Spain's NEBA services rates for consumers average at €17 in 2018, while Germany's pricing, which includes both up-front and recurring fees, was at €18 in March 30, 2021. The United Kingdom tops the list with an average price of €19, as of April 2024.

Due to the lack of cable infrastructure and difficult morphology, FTTC connections remain a resilient alternative in the Italian market (9.95 million lines or approximately 53% of the broadband and ultrabroadband market), with an average distance between cabinets and premises among the shortest in Europe, allowing high connection speeds. Similarly, the FTTH market in Italy (4.3 million lines or a 23% of the market) also remains underpenetrated, with penetration of 13% compared to an average of 35% across the European Union and the United Kingdom as of September 30, 2022 (Source: FTTH Council, April 2023). Over the last five years the proportion of active DSL lines has declined at a rapid pace, falling from 65.3% in 2017 to 13.5% of total fixed broadband lines subscriptions as of September 30, 2023. In parallel, higher-quality access technologies have increased considerably, with FTTC and FTTH connections reaching 14.2 million with a 96.2% and 53.7% coverage, respectively, as of September 30, 2023,

up from 4.7 million as of the end of 2017 (Source: AGCOM). Finally, FWA providers have entered the market in recent years; however, the FWA technology remains limited representing only approximately 2.1 million connections as of September 30, 2023, or approximately 11% of the total broadband lines in Italy. The ultra-fast broadband technologies are capable of achieving different speeds, with FTTC ranging from 30Mbps to 200Mbps, FTTH 10Gbps, and FWA 40 Mbps (4G) to 300Mbps (5G).

In recent years, telecommunication operators have mainly focused on developing broadband and ultrabroadband penetration and defending voice through the introduction of bundled voice, broadband and services packages, in a context of high competition with significant pressure on prices. This momentum has increased the proportion of lines with higher broadband speed within the total commercially available connections: the proportion of lines with speeds of more than 30 Mbps of total broadband and ultra-fast broadband lines rose from 45% in 2018 to 82.9% as of June 30, 2023. Data consumption over the same time period has increased at a rapid pace, the average daily data traffic increased from approximately 70 PBetabytes (“PB”) in 2019 to over 148 PB in the first 9 months of 2023 with average daily traffic per broadband line increasing from approximately 4GB to over 8GB. The expansion of broadband continues to be driven not only by the evolution of enabling devices (smart TVs, smart speakers, connected devices, etc.), but also by the growing demand for speed and IP services (media and entertainment, IT, digital services). Growing consumption of data services by businesses is also expected to accelerate the adoption of fixed broadband, including growth in the utilization of cloud services, IOT urban, industrial and merchant services, as well as cybersecurity.

The wholesale Italian fixed broadband market currently consists of NetCo and Open Fiber S.p.A., as the main players. Out of the two service providers to the fragmented Italian fixed broadband market, NetCo is the leading wholesale provider with 15.5 million fixed lines as of December 31, 2023 and the only national provider of wholesale broadband services to the Italian market (including ADSL). NetCo has a national network covering over 99% of households and is the sole nationwide provider of FTTC network in Italy, with FTTx (i.e. FTTC or FTTH) covering approximately 95% of active lines, in each case as of December 31, 2023. On the other hand, it is estimated that Open Fiber covers in FTTH approximately 14.5 million households of which approximately 4.3 million are covered in FTTH in the so-called White Areas. The definition of “technical units” used by NetCo is different than similar metrics used by competitors, including Open Fiber, and, as a result, a direct comparison using such metrics is not possible.

NetCo and Open Fiber, as infrastructure operators of the fixed broadband infrastructure, mainly compete on the FTTH network given NetCo is the sole wholesale provider of FTTC services at scale in Italy.

As discussed above, NetCo is the exclusive wholesale operator of the FTTC network. With regards to the FTTH network, coverage and competition is segmented according to European Union guidelines, with an added level of granularity provided by the TIM Group’s accounting of the impact of the “*Italia a 1 Giga*” plan (based on management’s estimates), which, combined, reflect to the current level of competition:

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years. Within these White Areas, low density areas (reaching approximately 4.3 million households) have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient. This distinction is not recognized by the European Union guidelines.
- Grey Areas are areas in which an ultrabroadband network is present or will be developed in the next three years by a single private operator. Subsidies associated with the “*Italia a 1 Giga*” plan are allocated to only specific segments of these Grey Areas. This distinction is not recognized by the European Union guidelines. Given the lack of significant overlap between NetCo’s and Open Fiber’s fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.
- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or will be developed over the next three years. In Italy’s case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

TIM GROUP REGULATION

The TIM Group's operations are subject to EU, Italian and Brazilian electronic communications regulations, general competition law and a variety of other regulations, including privacy and security-related regulations. This section summarizes the key areas of such regulatory frameworks and considers the effect and implications of the Transactions.

The EU Electronic Communications Regulatory Framework

Overview

The EU electronic communications regulatory framework is the basis for the national electronic communications laws in all Member States in the EU (“**Member States**”), including Italy where the TIM Group operates. The Member States are required to transpose directives issued by the EU Council and Parliament into national legislation, while the regulations issued by the same EU institutions are binding for any Member State without the need for their transposition into national law. Additionally, EU recommendations suggest certain actions and good practices although they do not have any binding effect on the operators active in the different Member States. The EU electronic communications regulatory framework contains provisions on the execution of sectoral activities of national telecommunications providers and sets out general rules applicable to all providers of electronic communication networks and services, as well as specific regulatory obligations that may be imposed by the national regulatory authorities (“**NRAs**”). In all Member States NRAs are independent bodies that are tasked with regulating and supervising the electronic communications sector and ensuring compliance with the EU electronic communications regulatory framework in each Member State.

Directive (EU) 2018/1972 establishing the European Electronic Communication Code (“**EECC**”) entered into force on December 20, 2018, and is applicable to TIM Group's operations since its implementation through Italian Legislative Decree of November 8, 2021, No. 207. Article 125 of the EECC expands the scope of the objectives and regulatory tools of the repealed EU Directives issued in 2002 and amended in 2009 (the so-called “**Telecom Package**”). The EECC includes a comprehensive set of measures related to: (i) wholesale-only operators and innovative regulatory models applicable for investments in VHCN, (ii) new rules on spectrum, such as minimum license duration to improve investment return, (iii) regulation of services, including the introduction of an improved level playing field between telecommunications operators and new operators of communications ecosystems such as the Over-the-Top (“**OTT**”), and (iv) a revised scope of Universal Service Obligation (“**USO**”) for the benefit of users with low income or special social needs with a view to pursue adequate broadband internet access service as well as voice communications services at a fixed location.

On February 23, 2023, the European Commission put forward a legislative proposal for a new Regulation (the “**Gigabit Infrastructure Act**”) on measures to reduce the cost of deploying gigabit electronic communications networks and repealing the previous EU Directive 2014/61/EU (“**Broadband Cost Reduction Directive**”), with the aim of setting new rules to enable faster, cheaper and more effective rollout of Gigabit networks, including 5G across the EU by promoting the reuse of existing physical infrastructures and streamlining the procedures for granting permits for civil works. Under the Gigabit Infrastructure Act Member States must ensure that network operators (telecoms, as well as energy, transport and water) give telecoms operators access to their physical infrastructure and network operators are required to give access to their physical infrastructure, on reasonable terms and conditions, including price. On February 6, 2024, the Council and the EU Parliament reached a provisional agreement on the proposed text.

Regulation (EU) 2018/1971 of the European Parliament and the Council entered into force on December 20, 2018 and it has repealed Regulation (EC) 1211/2009 and amended Regulation (EU) 2015/2120 (“**BEREC Regulation**”). The BEREC Regulation established the Body of European Regulators for Electronic Communications (“**BEREC**”) and the Agency for Support for BEREC (the “**BEREC Office**”). BEREC acts as a forum for cooperation among each Member State's NRA and between the NRAs and the European Commission. In addition, BEREC Regulation has introduced maximum retail rates charged to consumers for regulated intra-EU communications in the amount of €0.19 per minute for calls and €0.06 per SMS message, with a five years application between May 15, 2019 and May 14, 2024 (Article 5a of Regulation 2015/2120, as introduced by Article 50 of the BEREC Regulation). The provisional agreement on the Gigabit Infrastructure Act is set to extend the validity of the abovementioned price caps until 2032 and envisages the end of surcharges on intra-EU communications from January 1, 2029, following an impact assessment by the Commission and the definition of safeguards, such as sustainability, fair use and anti-fraud measures.

The European Commission Delegated Regulation (EU) 2021/654 supplementing the EECR (“**Delegated Regulation**”) that was published in the Official Journal of the EU (“**OJEU**”) on April 22, 2021, set the single maximum EU-wide wholesale mobile voice termination rate to €0.2 cent per minute from January 1, 2024 and the single maximum EU-wide wholesale fixed voice termination rate to €0.07 cent per minute from July 1, 2021.

The European Commission’s Recommendation EU 2020/2245 of December 18, 2020 on relevant product and service markets susceptible to *ex ante* regulation, identifies those products and service markets in which *ex ante* regulation may be justified. In alignment with the objectives of the EU electronic communications regulatory framework to progressively reduce *ex ante* sector-specific rules as competition in the markets develops and, ultimately, to ensure that electronic communications markets are governed only by competition laws, the number of relevant markets in which imposition of *ex ante* regulation may be justified has been significantly reduced since the first Commission’s Recommendation issued in 2003. By applying the three criteria test from Articles 67(1)(a), (b) and (c) of the EECR, the European Commission has identified (i) the wholesale local access provided at a fixed location market and (ii) the wholesale dedicated capacity market, as the product and service markets in which *ex ante* regulation may still be justified.

In September 2016, through its Connectivity for a Competitive–Digital Single Market— Towards a European Gigabit Society Communication (COM/2016/587 final, the “**Gigabit Society Communication**”), the European Commission has set out a vision for connectivity in the EU over the following decade that includes growth of the high capacity networks, and has established specific strategic objectives to be achieved by 2025. Such objectives include, among others, uninterrupted 5G coverage for all urban areas and major terrestrial transport paths.

Additionally, in order to achieve a successful digital transformation of Europe by 2030, the European Commission has adopted the 2030 Digital Compass: the European way for the Digital Decade (COM/2021/118 final) (“**Digital Compass**”) setting forth the initiative for a creation of a set of digital principles and a legislative proposal that would include a governance framework to monitor the progress of the envisioned digital transformation. The Digital Compass include the following aims:

- *Skills*: securing that at least 80% of all adults possess basic digital skills and that there are 20 million ICT specialists hired in the EU, with predominantly women taking up such jobs;
- *Infrastructure*: putting in place a secure, functional and sustainable digital infrastructures that would include (i) gigabit connectivity for all EU households and 5G coverage for all populated areas, (ii) cutting-edge and sustainable semiconductors (including processors) with at least 20% of the world’s production originating from Europe, (iii) a 10,000 climate-neutral highly secure edge nodes and (iv) the development of the first quantum computer in Europe by 2025;
- *Business*: (i) having three out of four companies using cloud computing services, big data and artificial intelligence, (ii) having more than 90% small and medium size businesses reaching at least a basic level of digital intensity, and (iii) doubling the number of EU unicorns; and
- *Government*: digitalization of public services that would ensure an online availability of all key public services and e-medical records accessible to all citizens, with 80% of citizens using a digital ID solution.

The related Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme (the “**Policy Programme**”) was published in OJEU on December 19, 2022. The Policy Programme introduces a novel form of governance based on cooperation between the Member States and the European Commission to ensure that Member States pool their resources and ultimately jointly achieve the envisioned EU digital transformation.

Commission implementing Decision (EU) 2023/1353 of June 30, 2023 sets out key performance indicators to measure the progress towards the digital targets. On September 27, 2023, the Commission adopted the Communication C(2023) 7500 final establishing Union-level projected trajectories for the digital targets and published the first report on the State of the Digital Decade. On December 12, 2022, the European Commission adopted the revised Communication on State aid for broadband networks (the “**Broadband State Aid Guidelines**”), used by the European Commission primarily when it assesses the allocation of state aid for the deployment of fixed and mobile broadband networks and the take-up of available broadband services to support the digital transition, also ensuring its minimal impact on the competition.

On February 23, 2023, the European Commission presented a set of actions aimed to make Gigabit connectivity available to all citizens and businesses across the EU by 2030, in line with the objectives of Europe’s Digital Decade, and to enable the transformation of the connectivity sector in the EU. Beyond the aforementioned proposal for a Gigabit Infrastructure Act, this so called “Connectivity package” includes:

- A draft Recommendation, addressed to the Member States’ NRAs, on the regulatory promotion of Gigabit connectivity (“**Gigabit Recommendation**”). The Commission Recommendation C(2024) 523 final was adopted on February 6, 2024, it provides guidance to NRAs on how to design access obligations on operators designated as having SMP on the market for wholesale local access provided at fixed location and promotes their consistent and effective implementation with regard to legacy networks and VHCNs. In particular, the Gigabit Recommendation sets out the conditions under which the national regulatory authority should, according to EECC, not impose or maintain regulated wholesale access prices on VHCN wholesale inputs. The Gigabit Recommendation also indicates how NRAs can smoothly conduct the migration from copper to fiber. It replaces the Commission Recommendation 2010/572/EU of September 20, 2010 on regulated access to Next Generation Access Networks (“**NGA**”) and the Commission Recommendation 2013/466/EU of September 11, 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.
- An exploratory consultation on the future of the connectivity sector and its infrastructure, to gather views on how increasing demands for connectivity and technological advances may affect the future developments and needs, including on the potential need for all players benefitting from the digital transformation to fairly contribute to the investments in connectivity infrastructure. Based on the outcome of the consultation, on February 21, 2024, the European Commission presented a set of possible actions to foster the innovation, security and resilience of digital infrastructures and opened a public consultation until June 30, 2024, aimed at achieving a consensus on:
 - The White Paper on “How to master Europe’s digital infrastructure needs?,” that analyses the challenges Europe currently faces in the rollout of future connectivity networks, and presents possible scenarios to attract investments, foster innovation, increase security, and achieve a true Digital Single Market.
 - The Recommendation on the security and resilience of submarine cable infrastructures, that presents a set of actions at national and EU level aimed at improving submarine cable security and resilience, through a better coordination across the EU, both in terms of governance and funding.

Some of the key areas of the EU telecommunication regulatory framework which will continue to apply to the TIM Group’s operations following the successful completion of the Transactions are discussed in more detail below.

International Roaming

Regulation (EU) 2022/612 of the European Parliament and of the Council of April 6, 2022 on roaming on public mobile communications networks within the EU (“**Roaming Regulation**”) provides a detailed set of rules concerning intra-EU roaming services and sets forth certain measures for the benefit of consumers that include: (i) an obligation for roaming providers to offer the same quality of service in roaming and at the national level where the same networks and technologies are available in the visited Member State, (ii) an improved access to free emergency services and (iii) a greater transparency on the costs of value-added services and roaming costs on non-terrestrial mobile networks, such as ships and planes. It also suggests a review of the price caps for intra-EU international fixed and mobile calls introduced by BEREC Regulation, by May 14, 2024.

Roaming Regulation further provides for the prolongation of the Roam Like at Home regime (RLAH) by abolishing roaming service surcharges on top of domestic tariffs until June 30, 2032, subject to “*fair use*” limits. For intra-EU traffic exceeding the “*fair use*” limits, roaming providers are allowed to apply a surcharge on top of domestic tariffs, which shall in any case not exceed the maximum wholesale charges that the visited network operator may levy on the roaming provider for the provision of regulated roaming services through the visited network. In any case, the charges subject to the following caps for the period from 2022 to 2027:

		from 1/7/2022	from 1/1/2023	from 1/1/2024	from 1/1/2025	from 1/1/2026	from 1/1/2027
Voice	<i>€cent/min</i>	2.2	2.2	2.2	1.9	1.9	1.9
SMS	<i>€cent/SMS</i>	0.4	0.4	0.4	0.3	0.3	0.3
Data	<i>€/GB</i>	2.0	1.8	1.55	1.3	1.1	1.0

The abovementioned maximum wholesale charges for regulated roaming calls and SMS messages applicable from January 1, 2025 shall remain valid until June 30, 2032 unless otherwise provided in the context of the review of the Roaming Regulation that the EU Commission shall evaluate.

Net Neutrality

Net neutrality is a principle providing that there should be no restriction on an individual's access to the networks making up the infrastructure of the internet and that any discrimination, restriction, or interference between the types and sources of data conveyed across such networks should be eliminated, irrespective of the sender and receiver, the content accessed or distributed, and the applications or services used or provided. Regulation (EU) 2015/2120 laying down measures concerning open internet access (the "**TSM Regulation**") provides new rules on net neutrality. In particular, TSM Regulation:

- establishes end-users' access rights to distribute information and content, use and provide applications and services and use terminal equipment of their choice, also forbidding internet service providers from blocking or slowing down specific content and applications or services, except in a very limited set of circumstances;
- allows the implementation by providers of internet access services of reasonable, transparent, non-discriminatory and proportionate traffic management measures aimed at improving quality of the network based on objectively different technical quality of service requirements for specific categories of traffic; such measures shall not be based on commercial considerations but on objectively different technical quality of service requirements of specific categories of traffic and shall not monitor the specific content and shall not be maintained for longer than necessary;
- allows operators to offer services, excluding internet access services, optimized for specific content, applications or services subject to the network capacity and unobstructed availability and quality of internet access services for end-users;
- allows end users to agree with providers of internet access services on tariffs for specific data volumes and speeds of the internet access services. Such commercial practices should not limit the exercise of end users' rights and are subject to monitoring by the NRAs. Additionally, contrary to BEREC's and NRA's previous indications, the European Court of Justice rulings in September 2021 established that zero rating infringes the Net Neutrality rules and is not allowed.

Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators ("**MNOs**"), MVNOs, and internet service providers not to charge end customers for data used by specific applications or internet services through their network, in limited or metered data plans. It allows customers to use provider-selected content sources or data services like an app store, without worrying about bill shocks, which could otherwise occur if the same data were normally charged according to their data plans and volume caps. This has especially become an option to market 4G networks but has also been used in the past for SMS or other content services.

- places further transparency obligations for ensuring open internet access on providers of internet access services in addition to those already included in the electronic communications regulatory framework.

Privacy and Data Protection

GDPR has been directly applicable in all EU Member States since May 25, 2018. The purpose of GDPR is to provide for the protection of the individual's right to privacy with respect to the processing of personal data, while allowing a certain degree of flexibility for service providers to process such personal data. As such, GDPR significantly changes the EU and EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines for breaching GDPR

of up to 4% of an annual turnover. The TIM Group has put in place a specific project to carry out all the activities needed to ensure its compliance with the rules introduced by GDPR.

Additionally, the TIM Group's operations are subject to the complimentary sectorial rules under the e-Privacy Directive implemented into Italian law on June 30, 2003, which imposes additional limitations on the data processing by the electronic communications services operators. Currently, this directive is being under review by the European Commission and the regulatory proposal foresees fines for non-compliance with the rules thereunder that are equal to those for breaches of GDPR. For further information, please see *“Risk Factors— Risks Related to the TIM Group's Legislative and Legal Framework—The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.”*

Data Act

Following publication in the Official Journal on December 22, 2023, the Data Act, a European regulation that introduces harmonized rules on fair access to data and its use, entered into force on January 11, 2024 and will be directly applicable starting from September 12, 2025.

The Data Act covers several areas:

- **Business to Business**

The aim is to ensure fairness in the allocation of the value of data generated by connected devices among actors in the data economy. The Data Act provides for a shared right in the use of data between the manufacturer and the user of connected devices, allowing the latter to access— without undue delay and free of charge— the data generated by the device and to share such data with third parties to provide after-sales services or other innovative services based on them.

However, the Data Act provides that the circulation of data between companies may require the payment of a reasonable and non-discriminatory price which includes the cost of making it available and the investments made for the collection and production of such data.

The Data Act also recognizes that some data may represent trade secrets, the circulation of which would harm companies' interests and proprietary rights. The text of the Data Act has therefore introduced a series of provisions aimed at protecting such information.

- **Business to Government**

The Data Act also aims at enabling the access by public sector bodies to data held by the private sector in emergency situations, such as health emergencies or serious natural disasters, and in other exceptional cases, where it is not possible to find the data on the market and the lack of such data prevents the public entity from carrying out a specific task of public interest provided for by law. Data sharing in emergency situations must be carried out free of charge, while in the remaining exceptional cases private entities will be entitled to reasonable compensation.

- **Cloud Services**

The Data Act introduces interoperability requirements for data processing services – such as cloud or edge computing services – aimed at preventing vendor lock-in phenomena and at facilitating the possibility for users to switch to a new supplier.

Furthermore, the Data Act offers specific safeguards to prevent unlawful transfers of non-personal data held by cloud service providers to third countries in contrast with data protection obligations under EU or Member States' law.

Security

The new Directive 2022/2555 on Network and Information Systems (“**NIS2**”), which replaces the current Directive 2016/1148 (NIS) entered into force on January 16, 2023 and must be transposed into national legislation by October 17, 2024 and will be applicable from October 18, 2024.

NIS2 envisages the extension of the scope of application of the rules on the security of networks and information systems, including on the one hand sectors currently covered by other regulations, which are simultaneously repealed (i.e. the security measures of networks and services of electronic communications, currently included in the EECC) and on the other hand extending the rules to new subjects (e.g., data centers, CDNs, etc.).

While NIS2 confirms the obligation to adopt security measures that are proportionate to the risk, it introduces a series of minimum requirements, including with regard to supply chain security management, and it revises the mandatory notification procedure for cyber incidents.

The penalties for non-compliance can be up to 2% of the turnover.

The Italian Regulatory Framework

Overview

The electronic communications regulatory framework applicable to the TIM Group's operations in Italy, is based primarily on the Electronic Communications Code, i.e. Legislative Decree No. 259/2003, as amended by Legislative Decree No. 207 ("ECC") that entered into force on December 24, 2021. By implementing this latest amendment, Italy has transposed the EECC into Italian national law.

Another law affecting the TIM Group's business, related to consumer, data and security protection and specific aspects of the communication sector is the Decree Law No. 76/2020, converted by Italian Law No. 120/2020, and Decree Law No. 77/2021, converted by Law no. 108/2021 (also known as "*Decreti Semplificazioni*"). Especially the latter piece of law contains important simplification measures to speed up the completion of both 5G and the ultrabroadband fiber optic networks in Italy. Furthermore, Decree-Law no. 36/2022 (also known as NRRP 2 Decree), converted by Law no. 29 of June 2022, which introduces measures in the ECC, namely simplified authorization measures for mobile network development, and Decree-Law no. 13/2023 (also known as NRRP 3 Decree) converted by Law No. 41/2023, which introduces other important simplification measures in the authorization process, with the aim of fostering the development of fixed and mobile ultrabroadband.

The telecommunications sector in Italy is primarily supervised by AGCOM, Italy's NRA for the communications sector. The key powers and duties of AGCOM consist of ensuring fair market competition and protecting fundamental rights of all users of electronic communication networks and services and, more generally, all citizens, also extending to different functions related to the communications sector. Additional powers related to the electronic communications sector were granted to AGCOM by the Italian Decree Law No. 119/2018 dated December 18, 2018, that also amended the ECC with a view to foster investment in ultra broadband networks. Such AGCOM's powers include defining adequate measures of investment remuneration to integrate the merger of different access networks placed under the control of a non-vertically integrated subject offering only wholesale network services. Governmental responsibility for electronic communication networks and services in Italy lies with the Ministry of the Enterprises and Made in Italy, having a principal responsibility related to the national broadband plan, spectrum and numbering management as well as integrity and security of the networks.

On May 12, 2023, the Ministry of Enterprises and Made in Italy launched a public consultation on the draft Legislative Decree amending the Electronic Communications Code. The consultation was primarily aimed at providers of electronic communications networks and services. Its purpose was to gather market input and comments on the implementation of the new sector legislation one year after the entry into force of the ECC, in line with the objectives of Directive (EU) 2018/1972 set out in the Digital Single Market Strategy for Europe. The consultation was closed on June 15, 2023.

Following the market consultation, the Council of Ministers approved a Legislative Decree on December 18, 2023, as part of a preliminary examination, which provides for corrections to Legislative Decree No. 207 of November 8, 2021. The text, which was sent to Parliament on December 22, 2023 for the necessary opinion, and which will be returned to the Council of Ministers for final approval, updates the current provisions, adapting them to technological developments in the field of electronic communication services (5G connection) with particular regard to the innovation and implementation of digital infrastructures (repeaters for 5G connections; fiber optic cables) supported by the NRRP. In addition, the revision makes corrections to procedural provisions in order to simplify and shorten bureaucratic procedures.

Market Analysis

The Italian regulatory framework requires AGCOM, in its role as Italian NRA, to carry out periodic market analyses according to the specific EU guidelines before imposing any obligations on any individual operator with an SMP. Such market analysis sets the rules for a period of up to five years. In such context, AGCOM may impose *ex ante* obligations on an operator with SMP when a specific market is found to have three characteristics: (i) high and non-transitory structural, legal or regulatory barriers to entry; (ii) a market structure which does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based competition and other sources of competition behind the barriers to entry; and (iii) competition law alone is insufficient to adequately address the identified market failures.

In both cases, pursuant to Article 79 of the ECC, AGCOM must impose, based on proportionality principle, one or more of the following obligations on an operator with SMP:

- (a) the obligation to make public specific information, such as that relating to accounting, prices, technical specifications, network characteristics, or terms and conditions (*transparency obligation*);
- (b) the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions and quality as provided for its own services (*non-discrimination obligation*). Such obligation may include the so-called replicability test (*i.e.* the obligation, for a vertically integrated operator, to set prices in the retail market that can be replicated by an efficient operator);
- (c) the obligation to keep separate accounts in relation to specified activities related to interconnection or access (*accounting separation obligation*);
- (d) the obligation to meet reasonable requests by competitors for access to civil engineering as well as access to, and use of, specific network elements and associated facilities at fair terms (*access obligation*);
- (e) the obligation to apply cost-oriented prices and cost accounting (*cost-orientation obligation*).

Delaying of vertically integrated operators

Pursuant to Article 89 of the ECC, an operator with SMP shall inform AGCOM at least 90 days ahead of any intended transfer of their network assets to a separate legal entity under different ownership, or the establishment of a separate business entity to provide all retail providers with fully equivalent access products (*separazione volontaria da parte di un'impresa verticalmente integrata*). In such event, AGCOM shall conduct a specific market analysis to assess the effect of such layering project on the relevant markets and therefore impose, maintain, amend, or withdraw *ex ante* obligations.

In November 2020, AGCOM concluded the preliminary assessment of TIM's voluntary separation project for the creation of FiberCop, a newco, controlled by the TIM Group and owned through minority shareholdings also by KKR Infrastructure Fund and Fastweb, which, on March 31, 2021, acquired the secondary copper and fiber access network owned by the TIM Group and Flash Fiber (the joint venture entity created together with Fastweb back in 2016 and merged into FiberCop in the context of the abovementioned transaction completed on March 31, 2021).

With Resolution No 637/20/CONS, published in December 2020, AGCOM launched the public consultation on the voluntary separation project of the TIM Group's fixed access network, whose outcomes were published in October 2021 with Resolution No. 253/21/CONS. However, on July 7, 2022, the TIM Group communicated to AGCOM that the layering plan envisaged as part of the Transactions would supersede the original voluntary separation project to which the public consultation referred.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a layering project pursuant to Article 89 of the ECC (*i.e.* the Transactions). The successful overcoming of vertical integration is expected to lead to a withdrawal of the replicability test obligation applying to the TIM Group's retail offers. See also “*Risk Factors—Risk related to the business activity and industries of the TIM Group—the TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,*” and “*Risk Factors—Risk Related to the TIM Group—Risks*

Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.”

The following sections summarize the key areas of the Italian wholesale and retail markets that have been scrutinized by AGCOM to assess competition conditions, along with the recent developments concerning the electronic communications market, as well as the main obligations imposed by AGCOM on the TIM Group with the latest Market Analyses.

Wholesale Fixed Access Markets

AGCOM's Resolution 348/19/CONS published on August 8, 2019 sets the obligations and economic conditions for wholesale access services for the period from 2018 to 2021. With reference to the most important geographic issues under the market analysis, AGCOM has taken the following major decisions:

- confirmation of TIM's status as an SMP operator in the wholesale local access provided at a fixed location market (“**Market 3a**”), and wholesale central access provided at a fixed location for mass-market products market (“**Market 3b**”) in Italy with the exclusion of the city of Milan, where the *ex ante* regulation has been entirely withdrawn;
- confirmation, as a consequence, of the following obligations on TIM in both Market 3a and Market 3b:
 - the obligation to provide access to and use of certain of TIM's network elements;
 - transparency obligations in relation to wholesale access services to copper and fiber network;
 - non-discrimination obligations, both in relation to the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions (including price) and quality (including technology) as provided for its own services (AGCOM confirmed the equivalence model provided for in Resolution 652/16/CONS) and also in relation to the replicability test. See “—Retail Markets—Retail Offers”;
 - accounting separation obligations; and
 - cost-orientation obligations.

With Resolution No 637/20/CONS, published in December 2020, AGCOM started a new coordinated analysis of the markets for fixed network access services pursuant to Article 50-ter of the ECC (now Article 89). The new market analysis procedure, which is still ongoing after having been extended by AGCOM's Resolutions nos. 412/21/CONS of December 21, 2021, and 152/23/CONS of June 21, 2023, will update the regulatory framework for the markets for wholesale fixed network access services based on changed competitive conditions and new European regulatory framework. In this regard, with Resolution 152/23/CONS, AGCOM called a public consultation concerning a scheme for a new market analysis aimed at regulating the period 2024-2028. The said scheme envisages the following major proposals:

- confirmation of the TIM's status as an SMP operator in Market 1 (wholesale local access provided at a fixed location market in Italy) with the exclusion of the cities of Milan and Cagliari, where the *ex ante* regulation has been entirely withdrawn;
- confirmation of the obligations imposed on TIM in the Market 1 with Resolution 348/19/CONS, with the following amendments: (i) removal of the obligation to provide WLR services and DSLAM access; (ii) application of the disaggregation model already used on copper services to certain new fiber services (VULA FTTH and semi-GPON); (iii) extension of the full equivalence regime to the obligation to provide access to civil engineering; (iv); (iv) new fiber access obligations such as semi-GPON and full GPON access; (v) extension of the *ex ante* replicability test to flagship offers; and (vi) withdrawal of the cost-orientation

obligation for VULA (FTTC and FTTH), semi-VULA, full-GPON and semi-GPON in 59 municipalities considered “*contestable*,” where prices will be subject to fairness and reasonableness principles; and

- withdrawal of *ex ante* regulation in Market 3b (wholesale central access provided at a fixed location for mass-market products market).

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See “*Risk Factors—Risks Related to the TIM Group—Risks related to the business activity and industries of the TIM Group—the TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*,” and “*Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group’s Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*.”

Wholesale call termination on individual public telephone networks provided at a fixed location

On February 2, 2022, AGCOM published Resolution 13/22/CONS withdrawing regulatory obligations previously imposed to voice call origination on a fixed network (including the third billing obligation) applicable after a transitional period of 24 months and simplifying the regulation of voice fixed termination. Further, AGCOM’s Resolution include the following:

- confirmation of TIM and 25 other operators’ status of SMP operators with regard to the voice fixed termination market;
- confirmation of the 2019 termination price of €0.041 per minute until June 30, 2021;
- entry into force of the single maximum EU-wide wholesale rate of €0.07 per minute on July 1, 2021;
- cost orientation under a symmetrical regime for the prices of the services that are ancillary and additional to the termination service;
- withdrawal of cost accounting and accounting separation obligations imposed to TIM, as well as of half-yearly reporting obligations, for termination services without any transitional period; and
- reduction (from 12 months to 6 months) of the notice period required for all SMP operators for communicating the intention of decommissioning of one or more Time Division Multiples (“**TDM**”) interconnection nodes, as well as removal from the publication of the final decision on the obligation to activate new interconnections with a TDM interface.

Wholesale Mobile Markets

On January 22, 2019, AGCOM published the Resolution 599/18/CONS as a part of the fifth round of the mobile termination market analysis, in which AGCOM decided to:

- identify twelve operators who provide or were about to provide mobile voice call termination services (MNOs, and Full Mobile Virtual Network Operators) as SMP operators;
- confirm the implementation of the cost model detailed in its Resolution 60/11/CONS to set termination rates for the period from 2018 to 2021 and set symmetric tariffs per minute for the mobile termination services amounting provided by all SMP operators (€0.98 in 2018, €0.90 in 2019, €0.76 in 2020, and €0.67 from 2021) on the basis of a Weighted Average Cost of Capital (“**WACC**”) equal to 8.55%;
- enforce the price control obligations for the provision of interconnection kits to all SMP operators with retroactive effect from 2018;

- withdraw the cost accounting obligation enforced on TIM, Vodafone and Wind-Tre; and
- confirm that for calls originating by operators that are extra EU/EEA, all SMP operators are not allowed to apply higher termination rates than those applied to Italian operators by such extra EU/EEA operators whose tariffs are regulated by the relevant authorities.

As mentioned above (see “—*The EU Electronic Communications Regulatory Framework—Overview*”) the European Commission Delegated Regulation (EU) 2021/654 set the single maximum EU-wide wholesale mobile voice termination rate to €0.2 cent per minute. Such single maximum mobile termination rates are fully applicable from January 1, 2024.

Retail Markets

Retail Offers

The TIM Group’s retail offers, in application of the non-discrimination and price-control obligations imposed to date as a result of AGCOM’s Market Analyses relating to the Wholesale Fixed Access Market, shall be replicable by efficient third-party retail operators, and are therefore subject to *ex ante* replicability tests carried out by AGCOM upon communication, by the TIM Group, of a new offer 20 days ahead of distribution.

With Resolution 348/19/CONS, AGCOM removed the *ex ante* replicability test for some of the TIM Group’s ultrabroadband retail offers. In particular, all FTTH or FTTC retail offers (including bundles) that are considered “*flagship*,” with speeds equal to or higher than 100 Mbps— which are very relevant in the migration phase from copper to NGA networks— will be notified to AGCOM simultaneously with their launch and will be subject to the supervision of AGCOM on an *ex post* basis through the replicability test.

Also the renewal of offers, the modifications of already existing offers which do not imply a change of margins, and the optional conditional sales associated to an offer already approved will be notified to AGCOM concurrently with their launch and AGCOM will eventually assess their replicability, if necessary, *ex officio* or at the request of an operator.

In the scheme for a new Market Analysis relating to the Wholesale Fixed Access Market published by AGCOM on June 21, 2023, AGCOM, having considered the development of ultrabroadband offers and the diffusion of so-called “Best Technology Available” (“*BTA*”) offers, proposed to re-apply replicability test obligations to the TIM Group’s “*flagship*” offers, as described above, and to maintain all other replicability obligations on the TIM Group’s retail offers. Pursuant to such proposal, TIM’s retail offers, potentially including “*flagship*” offers, will continue to be sent to AGCOM in advance (20 days before their launch), in order to allow an *ex ante* application of the replicability test by AGCOM, with the exception of renewal of offers, modifications of already existing offers which do not imply a change of margins, and optional conditional sales associated to an offer already approved.

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also “—*Wholesale Fixed Access Markets*,” “*Risk Factors—Risk related to the business activity and industries of the TIM Group—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*,” and “*Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group’s Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*.”

In the fourth quarter of 2022 TIM launched the 10/2 Gbit/s FTTH retail offer in both consumer and business markets.

28-Day Billing

AGCOM Resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, monthly intervals for fixed telephony, or multiples thereof, and four-week intervals for mobile telephony. In its Resolution

269/18/CONS, AGCOM had set December 31, 2018 as the date by which the operators had to return a number of days of service equal to the eroded days to their fixed network customers that were affected by the previous 28-day billing, or propose to such customers any alternative compensatory measures. In June 2019, TIM had decided to offer to the affected fixed network customers that were active prior to March 31, 2018, a possibility of accepting a compensatory solution and subsequently, from September 2019, TIM accepted customers' requests for the refund for the eroded days. In both cases, TIM had informed its customers of these options by ways of the notification on the bill, on the web and in the main newspapers.

Guidelines for Online Termination and Switching Costs and further developments on the sector regulation on users' protection

On November 2, 2018, AGCOM published Resolution 487/18/CONS setting the new guidelines on the charges applicable by operators in the event of customers' withdrawal.

Italian Law No. 40/2007 ("**Bersani Law**") allows customers to withdraw from the permanent contract at any time, *provided* that the costs they can be required to pay for the line termination or line switching shall be real and economically justified (for example, a deactivation costs for the fixed line).

The Bersani Law was subsequently amended by the Italian annual competition law no. 124/2017 and further implemented through the guidelines issued with AGCOM's Resolution 487/18/CONS. Such Resolution has introduced the following limits on the cost recovery that operators can apply in case of specific types of withdrawals and terminations:

- in case of withdrawal or line switching, the cost to be paid by the customer should be lower of the average rental fee (contract value) and the actual deactivation cost paid by the operators;
- in case of early termination in the midst of the duration of a promotion, operators may charge only a share of the discounts proportionate to the residual duration of the promotion at the moment of the withdrawal; and
- in case of products with instalments offered in conjunction with the electronic communication service, customers can, at their option, pay the remaining instalments instead of reimbursement with a single payment.

TIM challenged the resolution regarding the provisions that limit the right to fully recover the costs in case of withdrawals with respect to the contracts that include discounts from promotions and product instalments. The administrative judge dismissed TIM's appeal, as the guidelines would not be directly damaging. TIM once again appealed against Resolution 487/18/CONS together with Resolution 591/20/CONS that ordered TIM to pay an administrative fine for the rules on cost recovery for withdrawals and terminations. In March 2022, the Administrative Tribunal for the Lazio Region (*Tribunale Amministrativo Regionale del Lazio*) ("**TAR**") rejected the appeal. TIM appealed this decision and the proceeding is currently pending before the second instance administrative Court (Council of State).

The ECC as resulting from the transposition in Italy of the EECC, has provided a new set of rules on protection of users of electronic communications services. Following a public consultation procedure, AGCOM, by means of its Resolution No. 307/23/CONS, approved a new comprehensive regulation defining the concrete implementation of such new rules in the context of retail contracts (the "**Retail Customers Protection Regulation**"). Pursuant to the Retail Customers Protection Regulation, among others:

- retail operators shall amend their terms and conditions to include clear, accessible, and detailed information on, among others, minimum service levels and redress rights in case of underperformance, plan details, costs and terms of use of terminal equipment, offer activation and recurring costs, switching/withdrawal costs and procedures, and information as to services offered to people with disabilities and as to dispute resolution mechanisms;
- contracts cannot provide for an initial client commitment of more than 24 months (after which, a client can withdraw without additional costs) and, in case of prior withdrawal, no penalty can be applied to clients other than the payment of outstanding costs;

- clients can withdraw without additional costs within 60 days since the communication of changes to the terms and conditions (including pursuant to indexation mechanisms not purely based on Consumer Prices Indexes), as well as in case of material and continued or frequent underperformance; and
- contracts shall include clear, detailed, and accessible information as to any price indexation mechanism based on Consumer Prices Indexes, and no such price indexation mechanism shall be added to an existing contract if not with the client's prior explicit and written consent.

Indexation of Retail Offers

On January 3, 2024 AGCOM published Resolution no. 307/23/CONS on the protection of end users regarding contracts for the supply of electronic communications services, repealing Resolution no. 519/15/CONS. The provisions included therein apply to contracts between operators and consumers as well as, where expressly stated, to micro-enterprises, small businesses and non-profit organizations.

The new Resolution regulates the pre-contractual and contractual phases, as well as the termination of the contract and applies to all contracts regardless of their stipulation date, with the exception of the provision relating to termination costs in the event of withdrawal, which applies only to contracts stipulated after the January 3, 2024.

The provisions relating to developments and interventions on the systems are implemented within 6 months from the entry into force of the Resolution.

Finally, the Resolution also regulates the annual adjustment of prices based on the consumer price index. In this regard, TIM is evaluating to challenge such provisions as they are deemed to be excessively stringent and, in some respects, also illegitimate.

The Universal Service

In the past, under the previous version of the Italian Communication Code ("CC"), TIM was the only operator designated to provide the US. However, pursuant to the new Italian CC, AGCOM, in order to designate one or more companies as suppliers of the US, must first identify minimum bandwidth for an adequate broadband internet access service (Article 94, paragraph 3 of the Italian CC) and subsequently must verify that the availability and the economic accessibility at a fixed location of such service along with voice service cannot be guaranteed throughout the national territory under normal commercial conditions and through other potential instruments of public policies (Article 95 and Article 96 of the Italian CC). In this regard, by its Decision No. 309/23/CONS of December 5, 2023, AGCOM identified broadband internet access with a download speed of 20 Mbps as the broadband internet access service to be provided as part of the US, and clarified that, pending further AGCOM's determinations, TIM cannot be considered to be automatically bound to provide such US broadband internet access services. However, pursuant to Article 95 of the Italian CC, in case AGCOM determines that the retail prices of US services are not accessible to low-income or special-need consumers, it may impose obligations to provide US services at accessible prices generally applicable to all retail providers, and, if US services are not available, AGCOM can designate one or more providers to guarantee such availability throughout the national territory (Article 96 of the Italian CC).

The Universal Service Fund ("USF") was established as a fund collecting and holding mandatory contributions paid by the major Italian communications companies in order to finance the net costs for US provided by the designated US operator, TIM.

AGCOM is responsible for verifying the net cost of the US provision and assessing whether this amount represents an unfair burden for the designated operator. If such burden is determined to be unfair, the designated operator may be entitled to an adequate compensation through the USF.

AGCOM assessed the net cost and authorized the funding mechanism until 2005, but did not recognize any net cost contribution for 2006 and 2007. The net cost for the provision of US for the period from 2004 to 2007 was subsequently calculated on the basis of a methodology established by AGCOM's Resolution 1/08/CIR in 2008 with a retroactive effect, that led to a significant decrease in the amount to be financed. The Council of State had overruled AGCOM's resolution. In response to such decision, AGCOM issued Resolutions 207/17/CONS and 145/17/CONS initiating proceedings for the review of the calculation of US net costs for 2004 and 2005, and 2006 and 2007, respectively.

Additionally, by its Resolution 103/19/CIR issued on September 11, 2019, AGCOM has recognized a supplementary US net cost charged to the other operators for the period from 2004 to 2007, to be equal to €26.7 million. Finally, by its Resolution 88/18/CIR, published on June 21, 2018, AGCOM has determined that the net cost for 2008 equals zero and the net cost for 2009 amounts to €11.61 million and it is to be shared by the fixed and mobile operators.

On July 7, 2015, the Council of State delivered a decision rejecting TIM's appeal filed against TAR's decision related to AGCOM's Resolution issued in 2011 in connection with the proceedings for the review of the calculation of US net costs from 1999 to 2003 (excluding 2001). The subsequent decision of the Supreme Civil Court issued on December 27, 2017, rejected the following appeal filed by TIM and confirmed the need for a renewal of the proceeding to calculate the US net costs for the period above. AGCOM began the renewal proceedings for these years and periods by its Resolution 102/19/CIR on September 11, 2019. Such proceeding has been dismissed through Resolution No. 190/19/CIR following the decision of the Council of State dated October 8, 2019, that confirmed the possibility for AGCOM to renew the proceeding but provided a new guidance on the principles to be followed in doing so.

Following the Council of State's decision, Vodafone had requested a refund from TIM of the amounts paid for 1999, 2000, 2002, 2003 and subsequent periods. Through the abovementioned decision published in October 2019, the Council of State has also accepted the appeal of Vodafone, requiring TIM to return the disputed sums.

In September 2020, AGCOM ended the public consultation related to the review of the unfairness of US net cost charges for the period from 1999 to 2009. In resolution 263/20/CIR, AGCOM defined a new approach to demonstrate unfairness of US net cost charges and, on the basis of such new approach, AGCOM recognized the unfairness of the charges for the period from 2002 to 2009, while AGCOM did not find the net cost charges for 1999 and 2000, to be unfair.

On March 29, 2021, in its Resolution 18/21/CIR, AGCOM confirmed the obligation for mobile operators to participate in US contribution mechanism for the period from 2001 to 2009. However, AGCOM's Resolution 18/21/CIR was challenged by the other authorized operators ("OAOs"). Vodafone and Wind requested the suspension of the payment of the contributions to the USF until the conclusion of the proceeding, and the Ministry informed the fixed and mobile OAOs not to proceed with the payment of contributions of the years in question.

On February 17, 2022, the TAR annulled AGCOM's Resolution 18/21/CIR by accepting one of the grounds of appeal advanced by the OAOs focused on the threshold parameter relating to the unfairness of the burden that was contested with regard to the economic and financial impacts on the OAOs in question. The further OAOs appeal grounds were instead rejected by the TAR.

In the context of the second instance proceeding, the Council of State, with two decisions dated April 18, 2023 and May 2, 2023 (respectively, orders No. 3885/2023 and No. 4356/2023), decided to request a preliminary ruling by the European Court of Justice on the conditions to be met for AGCOM to impose USF obligation to the OAOs. The rulings of the EU Court of Justice are expected to be issued in 2025.

On September 14, 2021, AGCOM published Resolution 92/21/CIR with the final aim to assess the possible unfair nature of the US net costs for years 2010-2013. However, on June 27, 2022, AGCOM issued Resolution 1/22/CIR suspending the deadlines of the proceeding originally established by Resolution 92/21/CIR and then extended by Resolutions 58/22/CONS and 143/22/CONS in light of the impacts that could result from the abovementioned judicial proceeding against Resolution 18/21/CIR pending before the Council of State.

In relation to the US quality targets, the Council of State, on April 21, 2022 issued a decision annulling the sanction originally imposed on TIM by AGCOM's Resolution 28/11/CONS in the amount of €174,000 for failing to meet the missing quality targets for 2009.

The Council of State upheld TIM's appeal that challenged the sanction due to the failure to transpose the commitments proposal presented by TIM during the sanctioning procedure.

Finally, by Resolution 98/23/CONS, AGCOM has withdrawn the obligation to ensure the availability of public payphone service in the US framework.

Regulatory levies

Contribution Fees for the Functioning of AGCOM and for maintaining the authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use

The TIM Group and the other electronic communications operators in the Italian market are required to pay annual contribution fees to cover AGCOM's costs for its regulatory activities. The contribution fees are determined in accordance with the AGCOM's specific resolutions issued yearly by AGCOM and are calculated on the basis of each operator's revenues.

Contribution fees for the electronic communications sector were determined by AGCOM as equal to 1.3 per thousand of each operator's revenues for 2022, and equal to 1.4 per thousand of each operator's revenues for both of 2023 and 2024, while contributions fees for the "media" sector were determined as equal to 1.9 per thousand of each operator's revenues for 2022, and equal to 2 per thousand of each operator's revenues for both of 2023 and 2024, and contributions fees for AGCOM's anti-piracy activities were determined as equal to 0.1 per thousand of each operator's revenues for 2023 and equal to 0.3 per thousand of each operator's revenues for 2024. On the basis of such resolutions, TIM paid, under reserve, approximately €15.7 million for 2022 and approximately €16.1 million for 2023.

In addition, the TIM Group is required to pay additional annual levies to the Ministry for the Enterprises and the Made in Italy for maintaining its authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use (see below "*—The Italian Regulatory Framework—Spectrum—*").

Government's UBB Network State Aid Plans

In June 2016, the European Commission authorized the Italian government's ultra broadband ("**UBB**") State Aid Plan ("**UBB State Aid Plan**") in an amount of €4 billion. The purpose of UBB is to foster expansion of NGA, a new or upgraded access networks, that compared to the existing services will allow for the substantial improvements in broadband speeds and quality of service for 25% of the Italian population living in about 7,200 municipalities across Italy belonging to UBB "*white areas*" (i.e. the areas where NGA is currently not available and there is no interest of private operators to deploy it in the near future). According to UBB State Aid Plan, these 7,200 municipalities are grouped into two clusters, cluster C and cluster D. According to UBB State Aid Plan, 70% of the connections in cluster C will be provided with at least a speed of 100 Mbit/s for downloading and 50 Mbit/s for uploading services, while the remaining 30% should be able to reach at least a speed of 30 Mbit/s for downloading and 15 Mbit/s for uploading services. Connections falling under cluster D should be able to download at a speed of at least 30 Mbit/s for and upload at a speed of at least 15 Mbit/s.

On June 3, 2016, Infratel published an invitation for a tender procedure of €1.4 billion for a 20-years concession for deploying and managing an UBB "*passive*" infrastructure, composed by ducts and dark fiber, in the White Areas in Abruzzo, Molise, Emilia Romagna, Lombardia, Tuscany and Veneto regions. On March 7, 2017, the tender was awarded to Open Fiber.

On August 8, 2016, Infratel published another invitation for a second tender regarding the ultrabroadband white areas that include ten additional Italian regions (Piemonte, Valle d'Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and Trento Autonomous Province), for a total public financing of approximately €1.25 billion. TIM did not submit any bids. On July 28, 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra Broadband "*Towards the Gigabit Society*" (the "**Strategy**"), approved on May 25, 2021 by the Interministerial Committee for the Digital Transition ("**ICDT**"), defined the actions necessary to achieve the digital transformation objectives set by the European Commission in its Gigabit Society Communication and Digital Compass. See "*—The EU Electronic Communications Regulatory Framework—Overview.*"

The NRRP approved by the Italian government on April 29, 2021, allocates 27% of the resources to the digital transition, of which €6.7 billion are intended for strategic projects related to the ultrabroadband services, in line with the Government's strategy launched in 2015. In addition to the objective to complete the coverage plan for UBB white areas and create measures to support demand, the Strategy mentioned in the previous paragraph is composed by five further public intervention plans to cover the geographical areas in which the supply of infrastructures and very high-

speed digital services by market operators is absent, insufficient, or the improvement is not imminently expected. The €6.7 billion funds have been allocated by NRRP's for the following plans:

- “*Italia a 1 Giga*” Plan;
- “*Italia 5G*” Plan;
- “*Connected Health*” Plan;
- “*Connected School*” Plan; and
- “*Smaller Islands*” Plan.

Through these measures and plans, the Italian government intends to bring forward by 2026 the 1 Gbit/s connectivity objectives for all Italian citizens across the national territory and full 5G coverage in the populated areas set by the Digital Compass for 2030.

Pursuant to the provisions of the abovementioned agreements with Infratel, the transfer of TIM's business as a going concern envisaged as part of the successful completion of the Transactions, including the envisaged take-over of NetCo in TIM's position in the Broadband and Ultrabroadband Tenders (“**BB/UBB**”), the “Italy at 1 Giga” Plan, and the “Italia 5G” Plan's fiber Backhauling Tender, is subject, for the purposes of such agreements, to the obtainment of the consent of Infratel.

“Italia a 1 Giga” Plan

The “*Italia a 1 Giga*” is a €3.86 billion plan that would guarantee a fixed coverage of 1 Giga in download and at least 200 Mbit/s in upload speed in the grey and black areas where, until 2026, the plans of private operators could not guarantee “*reliable*” download connections of at least 100 Mbit/s.

On January 15, 2022, Infratel published the “*Italia a 1 Giga*” invitation for a tender procedure granting public funds for the financing of investment projects aimed at the construction of new electronic communications infrastructures and related access equipment capable of providing services with at least 1 Gbit/s in download and 200 Mbit/s in upload speed, with a deadline of March 31, 2022. The tender included 15 lots covering around 6.9 million citizens and the funding foreseen in the tender amounted to €3.68 billion. Each competitor was able to win up to eight lots. 70% of the expenses incurred will be paid from the public contribution, while remaining share of no less than 30% will be paid by the beneficiary of the public funds. The results of the tenders were published on May 24, 2022 and are as follows:

- a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop won the tenders relating to: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piemonte, Liguria and Val d'Aosta (lot 4), South Calabria (lot 5), North Calabria (lot 11) and Basilicata (lot 14) for approximately up to €1.6 billion; and
- Open Fiber won the tenders relating to: Puglia (lot 2), Tuscany (lot 6), Lazio (lot 7), Sicily (lot 8), Emilia-Romagna (lot 9) Campania (lot 10), Friuli Venezia Giulia-Veneto (lot 12) and Lombardia (lot 13) for approximately €1.8 billion.

The tender relating to Trento and Bolzano (lot 15) was resubmitted in April 2022 with a deadline of June 3, 2022 and was awarded to a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop on June 28, 2022 for approximately up to €65 million. On July 29, 2022, the relevant agreements were signed between Infratel and the operators that had been awarded the individual lots.

“Italia 5G” Plan

The “*Italia 5G*” is a €2.02 billion plan, that provides for 5G coverage with 150 Mbit/s download speed and at least 50 Mbit/s upload speed in the following areas:

- European 5G corridors: these corridors cover 2,645 km and the funds allocated under the plan amount to €420 million;
- extra-urban roads ready for 5G: these roads are extended on an area of approximately 10,000 km, with the plan funds of €600 million; and
- no 5G/4G areas: the funds allocated to this project amount to €1 billion.

To identify the areas to be financed, Infratel has mapped the 4G and 5G mobile coverage plans of private operators for the period from 2021 to 2026, including the sites’ fiber backhauling connections. As a result of the mapping, the following were identified as subjects to the public intervention:

- 13,200 mobile radio sites, that include approximately 18,600 Radio Base Stations (“**SRBs**”), for the implementation of fiber backhauling; and
- 15% of the national territory primarily consisting of crucial land transport routes, such as roads and railways, for the implementation of 5G.

The results were subject to a public consultation opened until December 15, 2021. Following the results of the public consultation, to encourage the creation of infrastructures for the development of 5G networks without investments from the market, on March 21, 2022 Infratel published the following two tenders:

- fiber backhauling tender; and
- new 5G sites tender.

The European Commission approved the State aid measure, including the above tenders on April 25, 2022. The deadline for submitting the bids expired on May 9, 2022.

Fiber Backhauling Tender

The tender provides for incentives for the investments in the construction of fiber optic links of over 10,000 existing mobile radio sites, up to 90% of its costs. It is divided into six multi-regional lots with an investment incentive of up to €725 million, and the relevant agreements related to each lot were signed between Infratel and TIM on July 29, 2022.

As of December 31, 2023, TIM has received an advance payment for the “*Italia a 1 Giga*” Plan, “*Italia 5G*” Plan and Fiber Backhauling Tender of €758 million. See “*Risk Factors—Risks related to the TIM Group’s Financial Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance*” and “*Risk Factors—Risks related to NetCo’s Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance.*”

New 5G Sites Tender

The second tender is related to the construction of new 5G mobile network infrastructures (fiber, infrastructure and electronic components) in more than 2400 areas. This would ensure a transmission at least 150 Mbit/s download and 30 Mbit/s upload speeds, to be financed up to 90% of the costs with the funds of approximately €974 million. The second tender is divided into six multi-regional lots, different from the lots included in the fiber backhauling tender. This tender was abandoned and was republished with changes on May 20, with a deadline for the bids set for June 10, 2022. The new invitation for the bids provides for funding of approximately €567 million and reduces a number of

sites for 50%. On June 28, 2022, Infratel announced that all lots were awarded to INWIT forming a temporary joint venture with TIM and Vodafone for approximately up to €346 million. On July 29, 2022, the relevant agreements relating to the awarded lots were signed between Infratel and the group of companies led by INWIT.

“Connected Health” Plan

The “*Connected Health*” plan aims to provide connectivity with symmetrical speeds, starting from 1 Gbit/s to 10 Gbit/s to approximately 12,280 healthcare facilities throughout Italy. In order to implement the plan, on January 28, 2022 Infratel launched a tender for the supply of ultrabroadband connectivity services at the public health service facilities in Italy, including the supply and installation of the access network and management and maintenance services, expiring on April 11, 2022.

The invitation provides for an allocation of €387 million and is divided into eight territorial lots. Each bidder could be awarded up to four lots. The provisional results of the tenders awarding €314 million was announced on June 6, 2022. TIM won two of the eight lots comprising the regions of Lombardia, Emilia-Romagna, Marche and Umbria, and was awarded approximately €78 million. The relevant agreements related to these lots were signed between Infratel and TIM on September 20, 2022.

“Connected School” Plan

The “*Connected School*” plan aims to complete the 2020-2023 School Plan launched by the Italian Government on May 5, 2020, that provided for the supply of an ultrabroadband connection speed up to 1 Gbit/s with a minimum guaranteed speed of 100 Mbit/s. The plan captures 35,000 school buildings, comprising 78% of the total number of the school buildings in Italy. Particularly, these include kindergartens, primary schools, the first and second level secondary schools, including those located in the White Areas.

In order to implement the plan, between September and December 2020, Infratel carried out a public consultation and issued an invitation for tender with public funding of €274 million divided into seven lots. Each bidder could be awarded up to two lots. On February 26, 2021 Infratel announced the results of the tender awarding €271 million. TIM won two lots that include the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Puglia, that were awarded €84 million.

The new “*Connected School*” plan launched in 2022 aims to complete the public intervention by including the remaining 9,900 school buildings into the plan.

In order to implement this plan, on January 28, 2022 Infratel launched a new tender, with a total budget of over €184 million to be awarded for the supply of ultrabroadband internet connectivity services at schools in Italy, including the supply and installation of the access network and management and maintenance services. The tender was divided into eight territorial lots and the same operator could be awarded up to four lots. The provisional award of the tenders was announced on June 6, 2022 with approximately €166 million awarded. TIM won four lots comprising the regions of Piemonte, Liguria, Valle d’Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, winning over €99 million. The related relevant agreements were signed between Infratel and TIM on September 20, 2022.

“Smaller Islands” Plan

The “*Smaller Islands*” an approximately €60.5 million plan aims to provide an adequate connectivity to 18 smaller islands currently without fiber optic connections with the mainland. In particular, the islands will be equipped with an optical backhaul that will allow a development of an ultrabroadband connectivity. The optical backhaul will be accessible to all operators through Submarine Backhaul Access Points (“**SBAP**”) identified according to the criterion of the shortest distance from the neutral delivery point (“**NDP**”), if present on the island, and from the landing point of the submarine cable.

The plan would be implemented through direct intervention models, with the new network financed and owned by the State and managed by one or more operators, chosen on the basis of a competitive, open, transparent and non-discriminatory process.

The tender to identify the economic operators to be entrusted with the design, supply and installation of submarine fiber optic cables for the construction of the “*Smaller Islands*” plan was launched on November 18, 2021 and ended on December 22, 2021. The tender was abandoned and resubmitted by Infratel on February 11, 2022 with certain modifications. The tender was awarded to Elettra TLC on April 28, 2022 for approximately €45 million.

New consultation on mapping backhauling networks 2023

On December 18, 2023 Infratel launched a new consultation, expiring on January 31, 2024, in order to update the mapping of the backhauling networks. The mapping has the objective of knowing whether the collection points of the fixed access network (on physical carrier or FWA radio) existing, or planned by 2026, have a backhaul network with sufficient capacity to transport the traffic offered by the network access capable of providing download connection speeds equal to or greater than 300 Mbit/s in the peak period for each UI passed.

In the event of a market failure, *i.e.* if the capacity of the backhauling network, existing or planned, is deemed insufficient to cope with the expected development of the corresponding access networks based on the current and future needs of end users, further public intervention to support backhauling networks could be defined.

Ultrabroadband Vouchers Plan

The objective of the Ultrabroadband Vouchers Plan, launched on May 2020 with a total allocation of more than €1 billion, is to promote and incentivize the demand for ultrabroadband connectivity services (NGA and VHCN) across Italy, with the aim to increase the number of households and businesses having access to digital services via high-speed networks of at least 30 Mbit/s. This plan has been implemented through two incentive schemes (i) vouchers for families and (ii) vouchers for businesses.

Vouchers for families

Phase 1

A first phase of the overall intervention was launched on November 9, 2020, with an allocation of €200 million, in favor of families with an Equivalent Economic Situation Indicator (“*ISEE*”) of less than €20,000. These families would receive a contribution of €500, consisting of €200 for connectivity and €300 for borrowed tablets or PCs. This scheme was created in response to the first phase of the Covid-19 pandemic as a helpful tool to deal with the effects of the health emergency and to guarantee suitable connection services to ensure continuity of the school and work related activities for the families. The first phase ended on November 9, 2021 and based on the allocation results the measure proved to offer little incentive. In particular, out of the available €200 million, more than €93 million were not allocated, and out of available 400,000 bonuses only 210,000 bonuses were assigned.

Phase 2

On April 27, 2022, Infratel therefore launched a public consultation starting the second phase of disbursement of vouchers for families. Approximately €407.5 million were allocated for the intervention. The consultation expired on May 31, 2022.

On March 22, 2023, Infratel launched a supplementary consultation to the consultation concluded on May 31, 2022, which expired on April 22, 2023, to acquire opinions and observations regarding the following proposals for action:

- intervention in favor of families, without ISEE limitations and without an active “data” contract on the fixed broadband and ultrabroadband network;
- provision of a voucher of €300, to encourage subscriptions to at least 300 Mbps in the form of a discount on the activation price (where present) and on the amount of the service provision fees for a period of up to 24 months, and will include the supply of the related electronic devices (CPE);
- exclusion of families who have already benefited from the connectivity voucher during phase 1, intended for less well-off families; and

- disbursement of an additional contribution equal to a maximum of €130 to cover costs relating to civil works that they may incur within their own private property in order to prepare it for the passage of the necessary infrastructures.

On December 11, 2023, Infratel launched an additional supplementary consultation, which expired on January 11, 2024, to acquire opinions and observations regarding the following the additional proposal, resulting from discussions with the European Commission, to provide a voucher of €100 for the activation of subscriptions to at least 300 Mbps plans, in the form of a discount on the activation price (where present) and on the amount of the service provision fees for a period of up to 24 months, and including the supply of the related electronic devices (CPE), to families without any data services or with services below 30 Mbps.

TIM submitted its observations to the abovementioned public consultations on May 31, 2022, on April 20, 2023, and on January 11, 2024, respectively. However, the results of none of such consultations have been published yet.

Vouchers for businesses

The incentive scheme for businesses, approved by the European Commission on December 15, 2021, was launched on March 1, 2022 and aims to promote ultra-fast internet connectivity for businesses and the digitalization of the production system. The net amount allocated to this scheme is approximately €590 million.

Under the scheme, businesses will be able to request a single voucher to guarantee an increase in connection speed, from 30 Mbit/s to over 1Gbit/s, ranging from €300 to €2,500 depending on the guaranteed download speed and the duration of the contract. Following the decision of the European Commission, the scheme, initially scheduled to expire in December 2022, was extended until December 31, 2023, subject to the availability of the allocated resources.

On March 22, 2023, Infratel launched a new consultation regarding the “Voucher Plan for the incentivization for business connectivity demand— Application services” expiring on April 22, 2023 in order to acquire opinions and observations regarding the following proposals for action:

- intervention in favor of micro, small and medium-sized enterprises, as well as natural persons with a VAT number who exercise, on their own or in associated form, an intellectual profession pursuant to article 2229 of the Italian Civil Code, or one of the unorganized professions of referred to in the law of January 14, 2013, No. 4;
- provision of a voucher of variable value, for the activation of application services in 5G, Cloud, Cyber Security, Big Data, Artificial Intelligence, Blockchain, Drones, to support the activities of the beneficiaries; and
- voucher contribution available also for companies or professionals who already have a contract with at least 30 Mbps download speed.

TIM submitted its observations on April 20, 2023. The results of this new consultation have not yet been published.

Spectrum

Public auction for the frequencies for five services was concluded in October 2018, and TIM was awarded the following blocks:

- 2 x 10 MHz FDD in the 700 MHz band available starting from July 1, 2022;
- 80 MHz TDD in the 3.6-3.8 GHz band available from January 1, 2019; and
- 200 MHz in the 26.5-27.5 GHz band available from January 1, 2019.

All the frequency rights of use will expire on December 31, 2037 and can be extended for up to eight years.

The below table sets forth the total amount of TIM’s licence fee of €2,399.38 million, that was paid in paid several instalments over the period from 2018 to 2022.

2018	2019	2020	2021	2022
€ 477,473,285	€ 18,342,111	€ 110,052,665	€ 55,026,332	€ 1,738,485,953

According to AGCOM Resolution 147/22/CONS, TIM was authorized to quit the provision of 3G/UMTS services, starting from June 1, 2022. The spectrum resources made available will be used to improve the capacity of the LTE and 5G networks.

Following a favorable opinion issued by AGCOM in its Resolution 338/20/CONS, in April 2021 TIM paid about €240 million for the renewal of 2x15MHz FDD spectrum rights of use in the 2100 MHz band until December 31, 2029.

Similarly, following a favorable opinion issued by AGCOM in its Resolution 66/22/CONS in March 2022 TIM was authorized to extend to December 31, 2029 the rights of use of the frequencies in the band 3,4–3,6 GHz (in nine regions) and to swap a 20 MHz block with Linkem. After such swapping, TIM has the rights of use of 20 MHz in all the Italian regions in the 3,4-3,6 GHz band, as well as the right of use of overall 100 MHz in the band 3,4-3,8 GHz. In May 2022 TIM paid approximately €5 million for the extension of the 20 MHz spectrum rights of use in the 3.4-3.6 GHz band until December 31, 2029.

Italian Golden Power Legislation and National Cyber Security Perimeter legislative framework

Under the Golden Power Legislation, the Italian Golden Power Authority may, among others, prohibit or impose undertakings on: (i) the acquisition of certain shareholdings in Strategic Companies, and (ii) resolutions, acts or transactions concerning a Strategic Company and resulting in a change in ownership, control, possession or intended use of the relevant strategic assets or relationships, including, among others, any merger, de-merger, transfer of business/branch of business as going concern, and the enforcement and, according to a prudential interpretation, the granting or extension of pledges over the shares or assets of Strategic Companies. The Company is required to notify the Italian Golden Power Authority of the transactions, resolutions or acts listed above. In the event of non-compliance with the obligations, specific penalties are provided, including administrative fines of up to twice the value of the transaction and in any case not less than 1% of the company's turnover (or the cumulative turnover of the companies involved in the transaction) in the last financial year for which the financial statements were approved.

The scope of application of the Italian Golden Power Legislation also includes broadband communication systems based on 5G technology that are classified as strategic for the national defence and security, as well as certain 5G technological components. In particular, under the Golden Power Legislation, the acquisition of goods, including high technological components, or services related to the design, implementation, maintenance and management of 5G networks is subject to the approval of the Golden Power Authority. To such end, Strategic Companies operating in the sector of 5G broadband communications are required to provide (and to update if necessary every four months) the Italian Golden Power Authority in advance with an annual plan of purchases of goods and services relating to the design, implementation, maintenance and management of 5G networks. The said such plan is subject to the approval of the Italian Golden Power Authority, including through the potential imposition of undertakings.

Failure to comply with the said reporting obligation provided under the Italian Golden Power Legislation or with any veto or undertakings imposed by the Italian Golden Power Authority may result in monetary fines, up to 3% of the Company's turnover. Contracts executed in violation of the said reporting obligation or of any undertaking imposed by the Italian Golden Power Authority are null and void. In the event of execution of contracts before the expiry of the deadline for the approval of the Plan, the Government may order the restoration of the previous situation at the expense of the defaulting party and impose a financial penalty in the event of delay in the said restoration.

The regulatory framework on National Security was enriched by the creation, in 2019, of the National Cyber Security Perimeter (PSNC). The legislation is intended to ensure a high level of security of networks, information systems and IT services of public administrations, public and private entities and operators with an established office in the national territory, on which the exercise of an essential function of the State depends, i.e. the provision of an essential service for the maintenance of civil social or economic activities, fundamental to the interests of the State and whose malfunctioning, interruption, even partial, or improper use, may result in a prejudice to national security.

Failure to comply with the obligations may result in administrative fines of up to €1.8 million.

Antitrust

Antitrust Issues in Italy

TIM is subject to Italian competition laws, particularly Italian Law No. 287 dated October 10, 1990 (“*Provisions aiming at protecting competition and the market*”) that established the AGCM. AGCM’s primary responsibilities and powers include the following:

- application of (i) Law no. 287/1990, (ii) the relevant EU provisions, including Article 101 and Article 102 of the Treaty on the Functioning of the European Union (“**TFEU**”), when applicable, (iii) Legislative Decree No. 206/2005 concerning consumer protection and Legislative Decree No. 146/2007 concerning unfair commercial practices;
- fight against (i) practices and/or agreements that could be restrictive for the competition landscape and (ii) abuses of dominant positions and review mergers and concentrations of enterprises; and
- monitoring conflicts of interest in the case of individuals holding government positions.

In addition, AGCM may adopt interim measures and make binding and enforce commitments upon the proposing parties in order to prevent identified competition concerns and violations.

Antitrust Issues at the European Level

TIM is subject to the European competition framework. European competition regulation covers various matters, including anticompetitive agreements (Article 101 TFEU), abuse of dominance (Article 102 of TFEU), mergers with an EU dimension reaching certain turnover thresholds, and state aid (Article 107 of TFEU).

The European Commission is empowered by the TFEU to apply antitrust rules (Articles 101 and 102 TFEU) directly and for that purpose it holds a number of investigative powers, such as inspection at business and non-business premises and written requests for information. It may also impose fines on subjects and their undertakings infringing the EU antitrust rules. The main antitrust rules on procedures are set out in Council Regulation (EC) 1/2003.

Since May 1, 2004, all National Competition Authorities (in Italy, AGCM) have been empowered to fully apply EU antitrust rules by virtue of Articles 101 and 102 of the TFEU, in order to ensure that competition is not distorted or restricted. The national courts may also apply these provisions in order to protect the individual rights guaranteed to the EU citizens by TFEU.

As part of the overall enforcement of EU competition law, the European Commission has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. European Commission also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States’ judicial systems.

Furthermore, in the event of mergers, acquisitions or extraordinary transactions promoted by or involving TIM or part of its assets, the relevant transaction may be subject to *ex-ante* control by the European Commission, pursuant to Regulation (EC) 139/2004 on the control of concentrations between undertakings (the “**Merger Regulation**”). According to the Merger Regulation, a concentration with “Community dimension” (i.e. involving a turnover over the thresholds provided for by Article 1 of the Merger Regulation) shall be notified to the European Commission prior to its implementation. In case the concentration does not have a Community dimension, it may be subject to *ex-ante* control from AGCM, provided that the thresholds provided for by Article 16 of Italian Law No. 287 of October 10, 1990 are met. Upon analysis of the prospected transaction, the European Commission may, *inter alia*: (i) declare the transaction compatible with the common market; (ii) impose on the parties certain conditions and obligations aimed at ensuring the transaction’s compatibility with the common market; or (iii) declare the transaction incompatible with the common market. Non-compliance with the obligations set out in the Merger Regulation may lead to fines up to 10% of the aggregate turnover of the infringing undertaking in case of, *inter alia*, failure to notify a transaction, breach of the standstill obligation, failure to comply with one or more of the conditions imposed, as well as in case of implementation of a transaction declared incompatible with the common market.

Telecommunication Regulatory Framework in Brazil

Overview

The telecommunications sector is regulated by Anatel, which was established by law and is administratively independent and financially autonomous from the Ministry of Communication (*Ministério das Comunicações*). Anatel is responsible for reviewing and amending all administrative regulation regarding services, completion and customer's rights related to telecommunications, issuing formal authorizations and performing inspections, as set forth in the General Telecommunications Law and the *Regulamento da Agência Nacional de Telecomunicações*, or the Anatel Decree.

Despite liberalization, which occurred in 1997, the Brazilian telecommunications market still faces persistent dominant positions held by fixed incumbent operators. In particular, broadband access is currently offered by operators over their own infrastructure and the respective regulatory framework is not always based on effective implementation of the wholesale access obligations.

In 1998, a presidential decree approved the first General Plan for Universalization Goals (*Plano Geral de Metas de Universalização*) (“**PGMU**”), obligations binding on the landline telephony services (*Serviço Telefônico Móvel Comutado*) (“**STFC**”), applicable only for fixed incumbents. PGMU is reviewed every five years, and the last universalization plan, formulated by the government, was published in January 2021 considering that fixed telephony concession will end in 2025. The PGMU V, replaces the 4G targets established in PGMU IV for construction of a backhaul in the municipalities that do not have a fiber optic connection.

A presidential decree issued on June 30, 2011, established a bidding process for 4G radio frequency (“**RF**”), an important landmark for the telecommunications sector. The bid occurred in 2012 and, in order to guarantee full rural service by 2018, Anatel linked the 4G blocks in the 2,500 MHz band to the 450 MHz band in specific geographic regions of Brazil. As a result, the four winning operators of the 4G blocks in the 2,500 MHz band linked to the 450 MHz band are subject to coverage commitments in rural areas. Such presidential decree also resulted in two new regulations to measure mobile and fixed broadband quality standards.

In November 2013, Anatel approved the dedication of a single band, of the 700 MHz spectrum, exclusively to mobile services and in September 2014, Anatel concluded the 700 MHz spectrum auction that granted to us, Vivo, Claro and Algar the operation of the 700 MHz frequency for the 4G mobile technology, to be added to the current LTE service in the 2.5 GHz RF. The TIM Group bid on Block 2 of that auction, for national coverage of the 700 MHz band, and won the same with a bid of BRL 1,947 million (a 1% premium over the minimum price of BRL 1,927 million).

The auction also required the winning bidders to proportionally reimburse the broadcasters for the clean-up of the spectrum previously held and used by them. The TIM Group spent approximately BRL 1,199 million in order to create in March 2015 the EAD with the other winning bidders, to ensure the spectrum clean-up. The price allocated to the clean-up of the spectrum related to unsold blocks was shared proportionately among the winning bidders who bought the other blocks. To offset such additional cost to the winning bidders, the price of the 700 MHz spectrum was discounted using Anatel's WACC methodology. As of September 2019, all Brazilian municipalities were able to receive TIM's expanded 4G coverage through the 700 MHz band.

In December 2015, Anatel auctioned remaining radio frequencies in the 1,800 MHz, 1,900 MHz and 2,500 MHz bands. The TIM Group submitted bids for the left over lots of the 2,500 MHz band, which had originally been auctioned in 2012. This particular band spectrum provides for 4G mobile services. The TIM Group were the first ranked bidder in the lots for Recife, in the state of Pernambuco, and Curitiba, in the state of Paraná, based on the Brazil Business Unit's bids which totaled BRL 57.5 million. The corresponding authorization terms were executed by Anatel in July 2016.

On November 2021, the TIM Group acquired eleven lots in the 5G Auction, with a total value offered of BRL 1.05 billion, in three frequency bands 3.5 GHz, 2.3 GHz and 26 GHz. The acquired bands have a set of obligations that must be met with financial contributions or the construction of mobile and fixed network infrastructure.

Currently, according to Decree No. 10,402/2020, which regulates Law No. 13,879/2019, it is possible to renew licenses for successive periods. However, some conditions are being disputed with Anatel and judicially, such as value and term of renewal.

In 2018, Decree No. 9,612/2018 (the “**Connectivity Plan**”), was published, establishing a series of guidelines for execution of terms of conduct adjustment, onerous granting of spectrum authorization and regulatory acts in general which includes: (i) expansion of high capacity telecommunications transport networks; (ii) increased coverage of mobile broadband access networks; and (iii) broadening the coverage of fixed broadband access network in areas with no available internet access by means of this type of infrastructure. It also establishes that the network implemented from the commitments will be subject to sharing from its entry into operation, except when there is appropriate competition in the respective relevant market. As well as Decree No. 10,480/2020 that regulates the Antennas Law (Law No. 13,116/2015) with the objective of stimulating the development of the telecommunications network infrastructure.

In 2021, there were some important ordinances published, namely: (i) MCom’s Decree No. 2,447/2021, which approved the TIM Group’s issuance of up to BRL 5,753 billion in debentures, (ii) MCom’s Decree No. 2,556, which set priorities and goals for the establishment of investments determined by Anatel, (iii) Decree No. 10,748, which established the Federal Network for the Management of Cyber Incidents, regulating the National Information Security Policy, which aims to improve and coordinate the bodies and entities of the federal public administration in the prevention, treatment and response to cyber incidents, (iv) Decree No. 10,887, which provided for the organization of the National Consumer Defence System, with the objective of guaranteeing greater protection to consumer relations, increasing legal certainty, and making the administrative process more efficient, and (v) Data Protection Authority Decree No. 15, which established the Governance Committee, responsible for establishing institutional strategies and strategic guidelines related to public governance.

Additionally, there relevant decrees involving 5G were: (i) Decree No. 10,799, that updated Decree No. 9,612/2018 (telecom public policies), allowing the Government’s network to be built by other entities, not only Telebras, (ii) Decree No. 10,800 established the Amazon Integrated and Sustainable Program (“**PAIS**”). One of its objectives is to expand telecom networks to the Amazon region, in addition to creating a management committee to monitor them, among other provisions, and (iii) MCom’s Decree No. 1,924/21 about 5G guidelines, mainly about network security; obligation to provide an exclusive government network; backhaul for agribusiness; coverage of federal highways aligned with the Ministry of Infrastructure, among others. In order to use Universal Telecom Services Fund (“**FUST**”), (i.e. the contribution that the telecom sector makes annually), Law No. 14,109/2020 was introduced authorizing the use of FUST, including by the private sector, to expand connectivity in rural or urban areas with a low human development Index (“**HDI**”) as well as policies for education and tech innovation of services in rural areas.

In 2020, the Decree No. 10,480/2020 was published by the federal government, which regulates antennas (Law No. 13,116/2015) with the purpose of stimulating the development of telecommunications network infrastructure. This decree was aimed to foster development of telecommunication network infrastructure and is a major step towards unlocking historical problems in the sector preventing its development, for example, some historical problems that the regulation seeks to cure include free right of way on highways and railways, positive silence, small cells and dig once.

On June 15, 2021, Provisional Measure 1,018/2020 was transformed into Law No. 14,173/2021, reducing the charges for satellite internet terrestrial stations and changing some of the FUST application rules. The law reduces FUST collection between 2022 and 2026 for telecommunications operators that run universalization programs approved by the management council (yet to be approved) with their own resources. The benefit will be valid for five years from January 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards. In addition, the new legislation removes the obligation to share towers within a distance of less than 500 metres from each other. The withdrawal of this obligation was considered essential for the implementation of 5G in Brazil, including to allow for the expected increase in density for the new technology.

In 2022, Decree No. 10.952/2022 was published, establishing the transfer of BRL 3.5 billion of FUST collection for connectivity of students and teachers of basic public education and data provided by INEP as criteria for transferring resources. The decree also stipulates that the resources may be used for a fixed connection, *provided* that cost-effectiveness is proven or that there is no offer of mobile data in the location where the beneficiary students live.

In March 2022 Decree No. 11,004/22 was published, which defines how FUST will be operationalized and foresees how the resources will be applied to any telecommunications service.

Also in 2022, Decree No. 11.304/2022 was published, establishing new rules for the Customer Service (SAC). The new “**SAC Decree**” brought more flexible rules regarding service hours, provision of protocol and digital service.

In July 2022, Law No. 14.424/2022 was published, which authorizes the installation of telecommunications infrastructure in cases where the competent body does not respond within the established period.

In 2023, Resolution No. 163 was published, which provides for the Resource Application Plan of the National Bank for Economic and Social Development - BNDES, for the period 2023-2025 with an investment perspective of BRL 686,314,215, 62.

Anatel

Over the years, Anatel has published several resolutions that apply obligations to the telecommunications sector, such as:

Resolutions Published in 2023:

- (i) Resolution No. 759/2023: this Resolution approved the Plan for Assignment, Destination and Distribution of Frequency Bands in Brazil (“**PDFF**”)
- (ii) Resolution No. 760/2023: this Resolution approved the new “Signal Jammer Resolution”
- (iii) Resolution No. 761/2023: this Resolution amend the Resolution No 717/2019 which approved the RQUAL
- (iv) Resolution No 765/2023: this Resolution approved the new RGC – General Consumer Protection Regulation
- (v) Resolution No 766/2023: this Resolution approved the allocation of RF sub-bands in the 4.9 GHz band.

Main Public Consultations Held in 2023:

- (i) Public Consultation No. 23/2023: Technical and Operational requirements for RF Spectrum Use
- (ii) Public Consultation No. 64/2023– PGMCM - General Plan of Competition
- (iii) Public Consultation No. 65/2023: RUE – Spectrum Use Regulations
- (iv) Public Consultation No. 68/2023: Technical and Operational requirements for authorization in a delimited area (polygons)
- (v) Public Consultation No. 71/2023: Regulation for Sectoral Data Collection
- (vi) Call for Subsidies No. 13/2023: Regulation of Users’ Duties (Fair Share)
- (vii) Call for Subsidies No 21/1023: Review of Regulation for the Application of Administrative Sanctions (RASA)
- (viii) Call for Subsidies No 23/2023: Technological transition from 2G and 3G standards to 5G (2G/3G switch off)
- (ix) Call for Subsidies No 25/2023: Evaluation of roaming application on highways.

Telecommunications Self-Regulation System

In March 2020, telecommunication operators signed the Telecommunications Self-Regulation System (“**SART**”), which proposes to establish common rules and procedures that must be followed by all participating companies, in relation to the most important topics related to providers and customers, such as telemarketing (approved in September

2019), offers (approved in March 2020), billing (approved in February 2021) and attendance (approved in March 2020).

Other Agencies

Recently, TIM Group monitored and participated in Public Consultations carried out by ANEEL, on topics related to infrastructure sharing (poles) and distributed generation. The results of the Public Consultations are expected for the years 2023 and 2024.

Review of the Current Regulatory Model for the Provision of Telecom Services

In 2019, PLC 79/2016 was approved and converted into Law No. 13,879 on October 4, establishing a new regulatory framework for the telecommunications sector in Brazil also constituting the biggest regulatory change in the last 20 years.

The new telecommunications framework allows the fixed telephone concessionaires to adapt their agreements from a concession regime to an authorization regime. This change of concession to authorization must be requested by the concessionaire and should be approved by Anatel. In return, concessionaires must, among other conditions, make investment commitments to expand fixed broadband services, in areas without adequate competition for these services, in order to minimize gaps and inequalities among Brazilian areas. Additionally, it also changes the rules on authorization of radiofrequency uses, establishing subsequent renewals and allows Radiofrequency trading among players (spectrum secondary market).

In June 2020, the Federal Government published Decree No. 10,402/2020 which regulates Law No. 13,879/2019 and provides for the adaptation of the concession instrument to authorization of telecommunications services and on the extension and transfer of radiofrequency authorization, grants of telecommunications services and satellite exploration rights.

Decree No. 10,402/2020 establishes that the partial or full transfer of the authorization to use radio frequencies between telecommunications service providers will be carried out against payment by Anatel and must be preceded by Anatel's consent, in addition to enabling the maintenance of obligations associated with radiofrequencies (serving the public interest), the application of restrictions of a competitive nature when necessary/convenient and the analysis of tax regularity of the company to which the authorization is being transferred. It also confirmed that the current authorizations are covered by the new rule for successive renewals.

Authorizations

With the privatization of the Telebrás system and pursuant to the Minimum Law (*Lei Mínima*), Band A and Band B service providers were granted concessions under Cellular Mobile System (“SMC”) regulations. Each concession was a specific grant of authority to supply mobile telecommunications services in a defined geographical area, subject to certain requirements contained in the applicable list of obligations attached to each concession.

The predecessors of the companies part of the Brazil Business Unit were granted SMC concessions and in December 2002, such SMC concessions were converted into PCS authorizations, with an option to renew the authorizations for an additional 15 years. TIM S.A. acquired PCS authorizations in conjunction with auctions of bandwidth by Anatel in 2001, and subsequently acquired additional authorizations and operations under the PCS regulations as well.

The Brazil Business Unit holds all of the authorizations previously issued in the name of other companies controlled, directly or indirectly, by TIM Participações.

Obligations of Telecommunication Companies

Among all the obligations imposed on telecommunications providers, Resolution No. 632/2014 has the most significant impact. Pursuant to this resolution, Anatel approved the adoption of a single regulation for the telecommunications sector, the RGC, with general rules for customer service, billing, and service offers, which are applicable to fixed, mobile, broadband and cable TV customers. This regulation was subject to a Public Consultation in 2020, and a new Regulation was published by Anatel in November 2023 (Resolution No. 765/2023) and will come into force as of September 2, 2024. In December 2019, Anatel approved RQUAL, which came into force in March

2022. After reviewing certain indicators, operators will be classified from A-E (expected to take place in 2023). See “— *Quality Management Regulation*.”

PCS Regulation

In September 2000, Anatel promulgated regulations regarding PCS wireless telecommunications services that are significantly different from the ones applicable to mobile companies operating under Band A and Band B.

According to rules issued by Anatel, renewal of a concession to provide mobile telecommunications services, as well as permission from Anatel to transfer control of cellular companies, are conditioned on agreement by such cellular service provider to operate under the PCS rules. TIM Sul, TIM Nordeste and TIM Maxitel converted their cellular concessions into PCS authorizations in December 2002, and later transferred them to TIM Sul, TIM Nordeste and TIM Maxitel, which are now TIM S.A.

In recent years, Anatel initiated certain administrative proceedings against TIM Celular (now TIM S.A.) for non-compliance with certain quality standards and noncompliance with its rules and authorization terms. The Brazil Business Unit has been fined by Anatel in some proceedings and are still discussing the penalty imposed in appeals before the agency. As a result of these proceedings, Anatel applied some fines that did not cause a material adverse effect on the Brazil Business Unit. On December 31, 2023, the total amount of these fines was BRL 301 million (after adjusting for inflation). However, only BRL 32.8 million (after adjusting for inflation) was classified as “probable loss” by Brazil Business Unit’s legal advisors. The significant amount related to fines classified as “possible loss” is a result of ongoing litigation.

On August 22, 2019, Anatel’s board of officers unanimously approved the execution of a TAC with TIM S.A., effective for four years from signature. The agreement covers fines imposed against the TIM Group in the total amount of BRL 639 million. The commitment TIM S.A. assumed, as also approved by its board of directors on June 19, 2020, foresees actions to develop its services from three different perspectives: (i) customer experience, quality and infrastructure, through initiatives to improve the licensing process of base stations, efficient use of resources, (ii) evolution of digital service channels, decreasing complaint rates and user repair demands, and (iii) reinforcement of transportation and access networks. In addition, the agreement also includes the commitment to bring mobile broadband through the 4G network to 350 cities with less than 30 thousand inhabitants thus reaching over 3.4 million people and the application of Internal Controls Management to ensure compliance with the closed proposal and the commitment to not impose inspection obstructions. As released to the market on June 16, 2020, and previously approved by Anatel on August 22, 2019, the TAC provided the implementation of the new infrastructure in three years, with the TIM Group’s assurance that these areas will be shared with other providers.

In the TIM Group’s view, by January 2024, 68% of commitments had already been completed, 15% under analysis and 17% in progress.

The TIM Group has been complying with the TAC implementation schedule and has been presenting its understanding to Anatel in cases in which the Agency indicates signs of non-compliance in the Schedule Item Non-Compliance Investigation Procedures (PADIC) eventually established.

Significant Market Power

In November 2012, Anatel published a new competition framework, the *General Plan for Competition Targets* (the “**PGMC 2012**”). Also in November 2012, Anatel published a series of regulations identifying groups with significant market power in the following relevant markets as defined by the PGMC 2012: (i) wholesale offer of fixed access infrastructure for data transmission through copper or coaxial cable in rates equal or higher than 10 Mbps (Act No. 6,617, of November 8, 2012); (ii) wholesale offer of fixed infrastructure for local and long distance transportation for data transmission in rates equal or higher than 34 Mbps (Act No. 6,619, of November 8, 2012); (iii) passive infrastructure for transport and access networks (Act No. 6,620, of November 8, 2012); (iv) mobile network termination (Act No. 6,621, of November 8, 2012); and (v) national roaming (Act No. 6,622, of November 8, 2012). On December 5, 2016, Anatel published public consultations on (i) the revision of PGMC 2012’s relevant markets and remedies; and (ii) the proposal of a specific Regulation for the Approval of Reference Offers, for public comment until March 22, 2017.

In July 2018, Anatel published the new PGM (the “**New PGM**”) reviewing some of its points and set up new markets: (i) national roaming and (ii) high capacity data transport. According to the New PGM proposal, cities in Brazil will be classified by levels of competition (1 – competitive, 2 – moderately competitive, 3 – less competitive, 4 – non-competitive), and asymmetric measures will be applied according to the market competition. In addition, also based on the proposal submitted to public consultation, wholesale relevant markets will be defined as follows:

PGM 2012	PGM 2018
Wholesale mobile call termination	Wholesale mobile interconnection
National roaming	National roaming
Full unbundling and bistream, or wholesale fixed network infrastructure access less than 10 Mbps	Wholesale fixed network infrastructure access
Leased lines, interconnection class V, interlinking, or wholesale fixed network infrastructure transport less than 34 Mbps	Leased lines
Ducts, trenches and towers, or passive infrastructure	Towers regulated by law
-	Wholesale fixed interconnection
	High capacity data transport

Under the PGM 2018, the TIM Group has been identified as having SMP in the following wholesale markets: (i) mobile network termination; (ii) data traffic exchange; (iii) data traffic; (iv) national roaming; and (v) high capacity data transport (five municipalities). The measures applied to a significant market power operator in those markets include: (i) the application of mobile termination rates on a glide path based on a price cap system and the partial application of the Bill & Keep (“**B&K**”) system (at a 50% threshold (i.e. not a significant market power operator pays only if the terminated traffic on the significant market power operator network is more than 50% of the total traffic exchanged) and only until the next revision of the New PGM in 2021); and (ii) an obligation to offer the service of national roaming service to non-SMPs.

Due to such classification, the TIM Group is subject to increased regulation under the New PGM, which could have an adverse effect on its business, financial condition and results of operations. Specifically, because the TIM Group has been classified as having SMP in the mobile network interconnection, the rates charged by mobile service providers to other mobile service providers to terminate calls on their mobile networks (“*Value to Use the Mobile network*,” the “**VU-M**”), are regulated. On July 4, 2014, Anatel approved, by means of Resolution No. 639/2014, a rule for the definition of maximum reference rates for entities with significant market power, based on a cost model, for VU-M, (“*Tarifa de US da Rede Local*” or “**TU-RL**”), and EILD. Pursuant to Anatel’s rule, reference rates will decline based on a glide path until the cost modelling known as Bottom-Up Long Run Incremental Cost models (“**BU-LRIC**”) is applied (in 2019, for VU-M and TU-RL; and in 2020, for EILD). On July 7, 2014, Anatel published the corresponding Acts Nos. 6,210/2014, 6,211/2014 and 6,212/2014, which determined the specific reference rates effective as of February 2016. On December 19, 2018, Anatel published the corresponding Acts Nos. 9,918/2018, 9,919/2018 and 9,920/2018, which determined the specific reference rates effective as of February 2020. Before coming into force, Anatel started revising these acts and, on February 24, 2020, published the new Acts Nos. 986/2020 and 987/2020. Finally, on April 2023, Anatel published the corresponding Acts 3.246/2023, which predict TU-RL and VU-M values from February 2024.

Because of the TIM Group’s classification as having significant market power in the national roaming market, it must also offer roaming services to other mobile providers without significant market power at the rates approved by Anatel.

The TIM Group is also required to provide access to its high-capacity data transport network due to its classification as having SMP in that market.

Until July 2018, roaming reference values were provided for in Act No. 9,157/2018. After deliberation by Anatel’s board of directors in June 2022, the new values are now provided for in Act No. 8,822/2022.

In the high-capacity data transport, Anatel’s board of directors recently approved Act No. 15,944/2022, replacing Act No. 9,161/2018.

Interconnection Regulation

Telecommunication operators must publish a public interconnection offer on both economic and technical conditions and are subject to the “*General Interconnection Regulatory Framework*” (“**GIRF**”) issued by Anatel in 2005.

In October 2011, Anatel established a mechanism for reducing fixed-to-mobile call rates, that results on a glide path to the reduction of mobile interconnection rates VU-M from 2012 to 2018, in accordance with Resolution No. 600/2012.

In addition to the VU-M reduction, Anatel established a bill and keep (“**B&K**”), rule between SMP and non-SMP PCSs. From January 2013 until February 2015, the B&K was 80%/20%. On February 12, 2015, Anatel approved, by means of Resolution No. 649/2015, the following new B&K percentages, amending the percentages established by Resolution No. 600: 75%/25%, from 2015 until 2016; 65%/35%, from 2016 until 2017; 55%/45%, from 2017 until 2018; and 50%/50%, from 2018 until 2019, which was the object of a judicial suit (ongoing), in order to suspend its effects. In July 2015, companies part of the Brazil Business Unit filed a lawsuit seeking to annul Resolution No. 649/2015 and maintain the percentages originally established by Resolution No. 600/2012, which currently remains pending a final decision. However, as discussed above, the New PGMCM in 2021 set the partial B&K threshold to 50% (i.e. a non-SMP operator pays only if the terminated traffic on the SMP operator network is more than 50% of the total traffic exchanged) and will be applied until the next revision of the New PGMCM. In addition, Anatel determined the end of the existing additional 20% on the value of mobile termination rate paid by SMPs to non-SMPs.

Related to fixed interconnection, Anatel revised the criteria for pricing the use of fixed networks in May 2012. According to such regulation, after January 1, 2014, a full B&K regime (in which no payments are due for the traffic termination) was implemented for local STFC operators dealing with other local STFC operators. Currently, therefore, no payments are due for the use of a local STFC operator’s network by other local STFC operator. With respect to interconnection of STFC operators with long distance and mobile operators, the TIM Group understands that, in July 2018, when Anatel issued New PGMCM 2018, the asymmetrical measure that permitted STFC operators without SMP to charge a TU-RL 20% higher than the TU-RL charged by STFC operator, with SMP was revoked.

On July 4, 2014, Anatel approved, by means of Resolution No. 639/2014, a rule for the definition of maximum reference rates for entities with significant market power, based on a cost model, for VU-M and TU-RL, and for EILD. On July 7, 2014, Anatel published the corresponding Acts No. 6,210/2014, 6,211/2014 and 6,212/2014, which determined the specific reference rates effective as of February 2016.

On December 19, 2018, Anatel published the corresponding Acts Nos. 9,918/2018, 9,919/2018 and 9,920/2018, which determined the specific reference rates effective as of February 2020. Before coming into force, Anatel started revising these acts and, on February 24, 2020, published the new Acts Nos. 986/2020 and 987/2020. Recently, Anatel published Act 3,246/2023, in which it edited the Reference Values until 2027 from the change from Top Down model to Bottom Up model.

Wholesale Rates Regulation

Under its PCS authorizations, the companies part of the Brazil Business Unit are allowed to set prices for its service plans, subject to approval by Anatel, *provided* that such amounts do not exceed a specified inflation adjusted cap. Anatel currently uses the telecommunication services index (*Índice de Serviços de Telecomunicações*) (“**IST**”), a specific price inflation index that it developed, in evaluating prices and determining the relevant cap for prices charged in the telecommunications industry. As mentioned above, on July 4, 2014, Anatel approved the calculation of VU-M, TU-RL and EILD reference rates based on a cost model. The TIM Group expects that the adjustment of its prices will follow the market trend, and that the adjustment will be below the annual inflation rate based on the IST.

Number Portability

In March 2007, Anatel issued a new regulation regarding number portability in Brazil for fixed telephony and PCS providers. Portability is limited to migration between providers of the same telecommunications services. For PCS providers, portability can take place when a customer changes its services provider within the same Registration Area as well as when a customer changes the service plan of the same area. Anatel finished the nationwide number portability (“**NP**”) implementation schedule in March 2009.

Value-Added Services and Internet Regulation

Value-Added Services (“VSR”) are not considered under Brazilian telecommunications regulations to be telecommunications services, but rather an activity that adds features to a telecommunications service. Regulations require all telecommunications service providers to grant network access to any party interested in providing VSR, on a non-discriminatory basis, unless technically impossible. Telecommunications service providers also are allowed to render VSR through their own networks. Internet connection, when offered to users on a single basis, by parties other than telecommunications service providers, is considered by Brazilian legislation to be a value-added service, and its providers are not considered to be telecommunications companies. Current regulations allow the TIM Group or any other interested party to offer internet connection through the TIM Group’s network. In such case, internet connection would be deemed as a portion of the telecommunications service that enables users to navigate the internet.

In April 2014, the Brazilian President passed Law No. 12,965/2014, known as the Legal Framework for the Use of the Internet (*Marco Civil da Internet*) (the “**Internet Framework**”), which establishes the principles, guarantees, rights and duties for the use of the Internet in Brazil. Key topics covered in the Internet Framework are: net neutrality; collection, use and storage of personal data; confidentiality of communications; freedom of expression and the treatment of illegal, immoral or offensive contents.

The Presidential Decree No. 8,711/2016 was enacted by the Brazilian President on May 11, 2016 and provided additional detail on the Internet Framework in three main aspects: (i) clarification of the scope and implementation of the net neutrality rules, (ii) implementation of the rights and obligations related to privacy and data protection regarding Brazilian internet users, and (iii) governance of the Internet Framework, including authorities entitled to enforce the legislations. See “—*Review of the Current Regulatory Model for the Provision of Telecom Services.*”

Privacy and Data Protection

On August 14, 2018, the Brazilian President passed the Brazilian General Data Protection Law (*Lei Geral de Proteção de Dados Pessoais*) (the “**LGPD**”). This new law is closer to GDPR, including significant extraterritorial application and considerable fines of up to 2% of a company’s global turnover of the previous financial year. The LGPD came into effect on September 18, 2020. However, the administrative sanctions provisions of LGPD only became enforceable as of August 1, 2021, pursuant to Law No. 14,010/2020. Cybersecurity incidents and data breach or leakage events may subject the TIM Group to the following penalties: (1) warnings, with the imposition of a deadline for the adoption of corrective measures; (2) a one-time fine of up to 2% of gross sales of the company or a group of companies or a maximum amount of BRL 50 million per violation; (3) a daily fine, up to a maximum amount of BRL 50 million per violation; (4) public disclosure of the violation; (5) the restriction of access to the personal data to which the violation relates, until corrective measures are implemented; (6) deletion of the personal data to which the violation relates; (7) partial suspension of the databases to which the violation relates for up to 12 months, until corrective measures are implemented; (8) suspension of the personal data processing activities to which the violation relates for up to 12 months; and (9) partial or full prohibition on personal data processing activities. The postponement of the administrative sanctions did not prevent the competent authorities to begin supervision procedures and enactment of additional rules to be complied with prior to such effectiveness date, nor did it prevent individual or collective lawsuits based on violation of data subject’s rights and subject to civil liability.

The TIM Group has set up a team tasked with adapting its processes and technologies to ensure compliance with the LGPD requirements. Notably, the companies part of the Brazil Business Unit have, among other developments, nominate a Data Protection Officer in December 2018, created specific clauses for the protection of personal data in its contracts with suppliers and business partners, developed training for all employees and salesforce as well as customized training for top leadership on the topic of data protection, established internal and external normative in order to set and establish conditions to process personal data, created a flow and process to handle data breaches, created a channel to receive and answer requests from data subject to exercise data protection rights and a Privacy Central was created on the TIM Group’s Brazil website. In order to comply with the LGPD and to manage the data subject rights an internal team was formed to lead the necessary actions. Additionally, in 2022 TIM S.A., obtained the ISO 27001 certification, a standard for the information security management system and created an Executive Data Protection Committee, led by its Chief Executive Officer, Mr. Alberto Mario Griselli.

Frequencies and Spectrum Background

In connection with the PCS authorization auctions in 2001 and 2002, Anatel divided the Brazilian territory into three separate regions, each of which is equal to the regions applicable to the public regime fixed-line telephone service providers. PCS services could only be provided under Bands C, D and E at that time with initially 1800 MHz band and afterwards also the 900 MHz band. The TIM Group acquired the D band in regions II and III and the E band in region I, completing The TIM Group's national coverage when considering TIM Sul, TIM Nordeste and Maxitel coverage (each ultimately merged into TIM S.A.). In March 2016, the authorizations for the D and E bands were renewed.

In December 2007, the Brazil Business Unit acquired new authorizations for the 1,800 MHz frequency in São Paulo and Rio de Janeiro in order to improve its RF capacity in these regions. Within the same auction, Claro and Vivo acquired authorizations to provide PCS services in regions where the Brazil Business Unit had historically provided services but where Claro and Vivo previously did not, using 1,800 MHz and 1,900 MHz bands. This resulted in increased competition in these regions. In the same auction, Oi received authorization to provide PCS services in the state of São Paulo using 1,800 MHz (band M in the whole state and band E in the state's countryside).

In December 2007, the Brazil Business Unit acquired 3G frequencies sub-bands (1,900–2,100 MHz), with national coverage; these authorizations were granted in April 2008 and are valid until 2023. Oi, Claro, Vivo and Algar Telecom also acquired 3G frequencies sub-bands in the same auction carried out by Anatel. All the authorization winners were subject to coverage and/or expansion commitments, divided by Municipality among the winners, in unserved areas.

In December 2010, Anatel auctioned an empty 3G band of radio spectrum consisting of (10+10) MHz in 2.1 GHz in the whole country (the “**H Band**”) auction, and other left over frequencies in the 900 MHz and 1800 MHz bands that had not been assigned in previous auctions. In this auction: we, Vivo, Claro and Nextel (now America Movil) acquired blocks of frequencies.

In December 2011, Anatel auctioned 16 blocks in the 1,800 MHz band, which were sold to Claro, Oi, CTBC and TIM. As a result of its participation in the auction, the Brazil Business Unit expanded its 2G coverage and increased its presence in the northern and central-western regions of Brazil, including the states of Paraná, Espírito Santo, Rio Grande do Sul, Santa Catarina and Minas Gerais.

In 2012, Anatel established a bidding process in order to comply with Presidential Decree No. 7,512 of June 2011, which set April 2012 as the deadline to auction the 2.5 GHz band, in order to introduce 4G technology in Brazil. Anatel modelled the auction with two national blocks of (20+20) MHz (W and Z) and two national blocks of (10+10) MHz (V1 and V2). In order to guarantee full rural service by 2018, Anatel linked the 4G blocks to the 450 MHz band in specific geographic regions of Brazil. Then, in 2022, through Act No. 12,827, published on September 13, 2022, the 450 MHz block was extinguished. As indicated in the notice, the winners of the auction committed themselves to the waiver if services were not activated within the established time frame.

The Brazil Business Unit participated in the auction as a group bidding in the name of TIM and Intelig (now TIM S.A.). The Brazil Business Unit did not bid for the W block (Amazonas as a rural area), which the Brazil Business Unit viewed as having a high premium if compared to the X block (67%). The Brazil Business Unit successfully acquired the V1 block, which in its view held the best capital expenditure/operating expenditure profile associated with rural services in its selected regions (the States of Rio de Janeiro, Espírito Santo, Santa Catarina, and Paraná). The joint bid allowed the Brazil Business Unit to take advantage of the flexibility of the auction rules. These bands brought heavy coverage obligations as its short-range characteristics demands large investments.

In November 2013, Anatel approved the dedication of a single band, of the 700 MHz spectrum, exclusively to mobile services and in September 2014, Anatel concluded the 700 MHz spectrum auction that granted to us, Vivo, Claro and Algar the operation of the 700 MHz frequency for the 4G mobile technology, to be added to the current long term evolution (“**LTE**”) service in the 2.5 GHz RF. The Brazil Business Unit bids on Block 2 of that auction, for national coverage of the 700 MHz band, and won the same with a bid of BRL 1,947 million (a 1% premium over the minimum price of BRL 1,927 million).

The auction also required the winning bidders to proportionally reimburse the broadcasters for the clean-up of the spectrum previously held and used by them. The Brazil Business Unit spent BRL 1,199 million in order to create in

March 2015 the Ethernet Access Direct (“EAD”) with the other winning bidders, to ensure the spectrum clean-up. The price allocated to the clean-up of the spectrum related to unsold blocks was shared proportionately among the winning bidders who bought the other blocks. To offset such additional cost to the winning bidders, the price of the 700 MHz spectrum was discounted using Anatel’s WACC methodology. As of September 2019, all Brazilian municipalities are able to receive TIM’s expanded 4G coverage through the 700 MHz band.

In December 2015, Anatel auctioned remaining radio frequencies in the 1,800 MHz, 1,900 MHz and 2,500 MHz bands. The Brazil Business Unit submitted bids for the left over lots of the 2,500 MHz band, which had originally been auctioned in 2012. This particular band spectrum provides for 4G mobile services. The Brazil Business Unit was the first ranked bidder in the lots for Recife, in the state of Pernambuco, and Curitiba, in the state of Paraná, based on the Brazil Business Unit’s bids which totalled BRL 57.5 million. The corresponding authorization terms were executed by Anatel in July 2016.

In November 2021, TIM acquired eleven lots in the 5G Auction, with a total value offered of BRL 1.05 billion, in three frequency bands 3.5 GHz, 2.3 GHz and 26 GHz. The acquired bands have a set of obligations that must be met with financial contributions or the construction of mobile and fixed network infrastructure.

Currently, according to Decree No. 10,402/2020, which regulates Law No. 13,879/2019, it is possible to renew licenses for successive periods. However, some conditions are being disputed with Anatel and judicially, such as value and term of renewal.

In April 2023, Anatel extended the validity of radiofrequency authorizations in the 1,800 MHz and 2,100 MHz bands, which will be valid until 2032 and 2038, respectively.

The actual scenario of frequencies granted to the Brazil Business Unit by Anatel is presented on the table below:

Territory		Frequencies						
UF	450 MHz	700 MHz	800 MHz	900 MHz	1800 MHz	Additional 1800 MHz	1900 MHz (3G)	2100 MHz (3G)
Acre		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Alagoas		December 2029	December 2028	December 2032	December 2032	-	April 2038	April 2038
Amapá		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Amazonas		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Bahia		December 2029	August 2027*	August 2027*	August 2027*	-	April 2038	April 2038
Ceará		December 2029	November 2028*	November 2032	December 2032*	-	April 2038	April 2038
Distrito Federal		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Espírito Santo		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Goiás		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Maranhão		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Mato Grosso		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Mato Grosso do Sul		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Minas Gerais		December 2029	April 2028*	April 2028*	April 2028*	April 2032	April 2038	April 2038

Pará		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Paraíba		December 2029	November 2028*	December 2032	November 2032*	-	April 2038	April 2038
Paraná		December 2029	November 2028* and March 2031* for the cities of Londrina and Tamarana	December 2032* and April 2032 for the cities of Londrina and Tamarana	December 2032* and April 2032 for the cities of Londrina and Tamarana	April 2032	April 2038	April 2038
Pernambuco		December 2029	November 2028*	May 2024*	December 2032*	-	April 2038	April 2038

Territory		Frequencies						
UF	450 MHz	700 MHz	800 MHz	900 MHz	1800 MHz	Additional 1800 MHz	1900 MHz (3G)	2100 MHz (3G)
Piauí		December 2029	November 2028*	March 2024*	December 2032*	-	April 2038	April 2038
Rio de Janeiro		December 2029	March 2031*	March 2031*	March 2031*	-	April 2038	April 2038
Rio Grande do Norte		December 2029	November 2028*	December 2032	December 2032*	-	April 2038	April 2038
Rio Grande do Sul		December 2029	March 2031* and November 2028* city of Pelotas and its surrounding region	March 2031* and April 2032 city of Pelotas and its surrounding region	March 2031* and December 2032* city of Pelotas and its surrounding region	April 2032	April 2038	April 2038
Rondônia		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Roraima		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Santa Catarina		December 2029	November 2028*	September 2032	December 2032*	April 2032	April 2038	April 2038
São Paulo		December 2029	March 2031*	March 2031*	March 2031*	Interior – April 2032	April 2038	April 2038
Sergipe		December 2029	August 2027*	August 2027*	August 2027*	-	April 2038	April 2038
Tocantins		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038

* Terms already renewed for 15 years.

** Only covers complementary areas in the specified states. The Radio frequency Blocks of the Municipalities of the National Code 92, which were part of Lot 208, were returned.

*** Except for the cities in sector 3 of PGO for 3G and excess radio frequency.

Industrial Exploration of Dedicated Lines

In December 2010, Anatel approved a public hearing that considered alterations of the Industrial Exploration of Dedicated Lines (*Exploração Industrial de Linha Dedicada* or “**EILD**”), which established mechanisms for the operation of transmissions circuits up to 34 Mbps to increase transparency between operators and concessionaires. In May 2012, Anatel approved the new EILD regulations (*Regulação de Exploração Industrial de Linha Dedicada*) (the “**REILD**”), detailing mechanisms to optimize the operating structure for transmission loop contracts in order to increase contract price transparency and affording equal treatment to independent service providers from concessionaire groups. The REILD specifically sets out more effective rules on project definition including Standard EILD or Special EILD, in addition to contract and delivery terms, and specifies EILD delivery dispute resolution procedures. Concurrently, in May 2012, Anatel approved new EILD reference prices, a step towards value fixation in controversies between service providers.

Considering that EILD is also a market subject to the asymmetric regulation defined by Anatel in the PGMC 2012, operators classified by Anatel as pertaining to group with significant market power in the EILD market, such as Oi, were required to submit reference prices and offers for Anatel’s approval, as well as to only offer EILD through a specific system designed for the PGMC 2012. In September 2013, Anatel ratification, for the first time, reference prices and offers of the operators with significant market power in the EILD market. At least every six months new reference prices and offers must be submitted for Anatel’s approval. The Brazil Business Unit is not currently classified as having an SMP in the EILD market.

Nevertheless, the TIM network is still growing and, with its backbone now reaching the North region of Brazil by using optical fiber technologies and not only via satellite, this has allowed TIM to strengthen and expand the services offered in that region, particularly in the states of Pará, Amapá and the city of Manaus, the capital of the state of Amazonas and a very important industrial zone.

The greatest benefits of the use of the optical fiber technology are the higher network stability and assurance, greater voice and data traffic capacity and the higher transmission rates that the Brazil Business Unit can now provide to its customers, all of which are essential features to support the increasing telecommunication services demands in the region. In addition to these perspectives, the Brazil Business Unit contributes to reduce social disparities, offering the

same technology to its customers, as well as content residing locally in its data centers, making no difference to the technical architecture built in a big metropolitan centers.

The Brazil Business Unit has started discussions to apply the EILD reference rates based on cost model to the existing agreements it has with operators with significant market power in the EILD market. As part of the strategy of reducing operating expenses and as consequence of the expansion of its optic network infrastructure the Brazil Business Unit is gradually deactivating leased lines such as EILD. The agreements for network sharing between the national operators is also a key factor to the reducing of leased lines. The number of leased circuits has considerably decreased along the last year. New lines are hired only in the cases where leasing is demonstrated to be the most cost effective solution.

Migration of the Mobile Networks with Analog Technology

In February 2011, Anatel approved Resolution No. 562/11, which modified a provision of the regulation on conditions of use of RF, determining that, after a period of 360 days from the publication, the use of analog technology in RF sub bands of 800 MHz would no longer be allowed.

In relation to the use of such RF, the Brazil Business Unit no longer has subscribers of analog technology. However, the Brazil Business Unit's analog networks were still used by STFC concessionaires to provide services to subscribers in rural areas of the country, through a service called RuralCel.

In December 2016, Anatel approved Resolution No. 672/16, which prohibited the use of analog technology in the radio frequency sub bands of 800 MHz, 900 MHz, 1,800 MHz, 1,900 MHz and 2,100 MHz. The Brazil Business Unit shut down its RuralCel service in 2017, and consequently turned off the related radio base stations, as attested to by Oi and recognized by Anatel in Decision-making No. 6/2017.

Quality Management Regulation

In October 2011, Anatel published PCS and multimedia communication service (“SCM”) quality management regulations to establish quality parameters which were to have been met by the mobile telephone and internet connection operators in up to 12 months. Most quality parameters established relating to the quality of the networks, both mobile and fixed, became effective in October and November 2012.

In response to the need to better quantify the financial impacts, Oi submitted a request for cancellation together with a request for review to Anatel for the presentation of technical surveys of the economic impacts of the new regulations. The aforementioned request was submitted to public hearing by Anatel, which resulted in a series of divergent opinions regarding the quality measures by the different operations that are being analysed by Anatel.

With regard to STFC, in December 2012, Anatel approved the Quality Management Regulation for STFC service providers, which aims to create a new quality management model available, such as the Quality for PCS and SCM.

In February 2013, Anatel published the STFC quality management regulations to establish quality parameters that must be met by fixed-line operators within 120 days. All established parameters took effective in June 2013.

In December 2019, Anatel approved the new RQUAL based on a reactive regulation. In this new model, quality is measured on the basis of three main indicators – a Service Quality Index, a Perceived Quality Index and a User Complaints Index – and operators are classified into five categories (A to E). Based on this regulation, Anatel will be able to take measures according to specific cases, such as consumer compensation, the adoption of an action plan or the adoption of precautionary measures to ensure quality standard improvements.

At the end of November 2021, after a joint work by Anatel, operators and the Quality Assurance Support Authority to define the objectives, criteria and reference values of indicators, Anatel's board of directors formalized the reference documents that anchor this regulation (the Operational Manual and the Reference Values) and stipulated the entry into force on March 1, 2022. Anatel will also disclose the official indexes, and the quality label (intended to increase competition for quality) in 2023, considering the results of the new indicators monitored in the second half of 2022. Meanwhile, adjustments to the criteria and reference values can be made by Anatel.

After a joint effort by Anatel, operators, and the Quality Assurance Support Authority (ESAQ) to define the objectives, criteria, and reference values of the indicators, at the end of November 2021, Anatel's **board of directors** formalized the reference documents that support this regulation: the Operational Manual and the Reference Values; and established the operational entry into force on March 1, 2022. Currently, the results of the quality indicators are already being disclosed monthly by the Agency on its website, specifically in relation to the Quality Seal (which stimulates competition in quality). In November 2023, the Agency determined the temporary and partial suspension of the Reference Values Document and the quality seals for the years 2022 and 2023 and granted a period of 120 days for the presentation of new proposals for methods and parameters for the definition of quality seals.

Fraud Detection and Prevention

"Subscription fraud," which consists of using identification documents or personal data information of another individual to obtain mobile services, is the main fraud relating to mobile, fixed and long distance service. The Brazil Business Unit is focused on implementing prevention measures in its points of sales to avoid such subscription fraud, such as: (i) digital authentication for its sales front-end system; (ii) a strong training program; (iii) maintenance of a list of offenders to prevent fraud; (iv) analysis of the documentation presented; and (v) monitoring and identification of point of sale. The Brazil Business Unit also works to detect and prevent fraud by frequently improving and updating its traffic behavior monitoring and subscriber data.

The Brazil Business Unit's security operations management develops programs and strategies to mitigate risks through macro business processes such as:

- *Network:* Actions aimed to combat theft, robbery or damage of equipment and network infrastructure by the application of physical and electronic protections, such as equipment tracking, installation of protective security equipment, virtual and physical surveillance and intelligence analysis.
- *Investigations of Specific Incidents:* These anti-fraud efforts are focused on the reduction of illicit activities. The program consolidates and analyses all the facts related to known incidents in order to identify circumstances in which the Brazil Business Unit's services may be being used to perpetuate noncompliance with laws, codes and other policies such as extortion, pedophilia, aggression, theft, drug trafficking and harassment.
- *Personal Security:* These efforts focus on the combined use of organizational, technical and human resources aimed at preserving the physical, intellectual and emotional integrity of the human resources of the group, ensuring compliance with the precepts pointed out in the security operations mission and focused on the foreign public on a visit to Brazil.
- *Commercial Security:* These efforts seek to mitigate the losses resulting from theft and robbery of smartphones, among them the deployment of safes in the stores for the storage of high value devices in all stores, prioritizing street-front stores.
- *Security in Logistics:* These efforts are directed to combat loss due to theft or theft of merchandise whether in transportation or storage.

Taxes on Telecommunications Goods and Services

The telecommunications goods and services offered are subject to a variety of federal, state and local taxes (in addition to taxes on income), the most significant of which are ICMS, ISS, COFINS, PIS, FUST, FUNTTEL, FISTEL, CONDECINE and Corporate Income Tax and Social Contribution on Net Income, which are described below.

ICMS: The principal tax applicable to goods and telecommunication services is a state value-added tax (*Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual, Intermunicipal e de Comunicação*) ("**ICMS**"), which the Brazilian states levy at varying rates on certain revenues arising out of the sale of goods and services, including certain telecommunications services. Currently, the ICMS tax rate for domestic telecommunications services is levied at rates between 17% and 29%. The ICMS tax rate levied on the sale of mobile handsets and other products such as modem and SIM cards averages between 17% and 22%. With respect to the sale of mobile handsets, among other goods, ICMS may be charged in a different tax regime, under

which another taxpayer in the distribution chain of the goods (such as, for example, the manufacturer of the goods) is required to anticipate and pay ICMS amounts that would otherwise be due in other steps of the distribution chain. There is also an exception for certain handsets whose manufacturers are granted certain local tax benefits, thereby reducing the rate to as low as 7%.

ISS: ISS is a municipality tax with rates varying from 2% to 5%. Since January 2018, the tax incidence over certain (but not all) Value-Added Services has increased with the inclusion of those receivables within the ISS basis of calculation due to Law No. 157/2016.

COFINS: COFINS is a social contribution levied on gross revenues. Since 2000, companies began to pay COFINS tax on their bills at a rate of 3%. In December 2003, through Law No. 10,833, COFINS legislation was further amended, becoming a non-cumulative tax, raising the rate to 7.6% for most transactions. However, telecommunications services revenues, among others, continued subject to a cumulative basis at a rate of 3%. In 2015, Decree No. 8,426 came into effect, which restored COFINS on financial revenues at a rate of 4%, except for some types of financial revenues (for example, revenues from foreign exchange variations of exportation of goods and services, revenues resulting from foreign exchange fluctuations of obligations undertaken by the company, including loans and financing and revenues related to hedging transactions on stock exchange values, and revenues from commodities and futures exchanges or over-the-counter transactions and related to the Brazil Business Unit's operational activities). In December 2022, Decree No. 11,322/22 reduced by half the PIS and Cofins rates levied on financial income earned by companies subject to the non-cumulative regime. The COFINS rates changed from 4% to 2%. According to the Decree, the reduction would take effect from January 1, 2023. However, on January 2, 2023, it was revoked by the newly elected Government, re-establishing the PIS and Cofins rates levied on financial income to its original values.

PIS: PIS is another social contribution levied at the rate of 0.65%, on gross revenues from telecommunications service activities. In 2002, Law No. 10,637 was enacted, making such contribution non-cumulative and increasing the rate to 1.65% on gross revenues, except in relation to telecommunications services, for which the method continued on a cumulative basis at a rate of 0.65%.

In 2015, Decree No. 8,426 came into effect, which restored PIS on financial revenues at a rate of 0.65%, except for some types of financial revenues (for example, revenues from foreign exchange variations of exportation of goods and services, revenues resulting from foreign exchange fluctuations of obligations undertaken by the company, including loans and financing and revenues related to hedging transactions on stock exchange values, and revenues from commodities and futures exchanges or over-the-counter transactions and related to the Brazil Business Unit's operational activities). As noted above, in December 2022, Decree No. 11,322/22 reduced by half the PIS and Cofins rates levied on financial income earned by companies subject to the non-cumulative regime. The PIS rates changed from 0.65% to 0.33%. According to the Decree, the reduction would take effect from January 1, 2023. However, on January 2, 2023, it was revoked by the new Government, re-establishing the PIS and Cofins rates levied on financial income to its original values.

FUST: In 2000, the Brazilian government created the *Fundo de Universalização dos Serviços de Telecomunicações*, a fund that is supported by a tax applicable to all telecommunications services. The purpose of the FUST is to stimulate the expansion, use and improvement of the quality of telecommunications networks and services, to reduce regional inequalities and to stimulate the use and development of new connectivity technologies in order to promote economic and social development. FUST tax is imposed at a 1% rate, levied on gross operating revenues, net of discounts, ICMS, PIS and COFINS, and the cost may not be passed on to clients. Telecommunication companies can draw from the FUST to meet the universal service targets required by Anatel.

In 2005, Anatel enacted Ordinance No. 7/05 requiring that FUST should be paid on revenues arising from interconnection charges since its effectiveness. A notice was issued deciding that companies part of the Brazil Business Unit must adjust values on the FUST calculation basis in order to include interconnection revenues received from other telecommunications companies. A writ of mandamus was filed against Anatel to avoid the terms of Ordinance No. 7/05. The first level decision was issued in the favor of companies part of the Brazil Business Unit's favor. Such decision was challenged by Anatel and the appeal confirmed the first level decision. Anatel appealed to High Courts in order to reverse the appeal.

In December 2020, Law No. 14,109 was approved with the purpose of stimulating the use of FUST to expand and improve the quality of telecommunications services, reducing regional inequalities and stimulating the use of new technologies to promote economic and social development. In the case of using FUST's resources, the law requires the connection of all public schools by 2024 with broadband internet access. The law also provided a 50% reduction in the payment of the mandatory annual contribution of telecommunications operators to the Fund when they execute programs, projects, plans, activities, initiatives, and actions approved by the Fund's Management Council through the use of their own resources. This requirement remains in force until December 2016, but it may be further renewed.

In the first quarter of 2022, the Federal Government signed Decree 11,004/2022, which regulates the use of FUST and establishes directions for the use of resources by the Management Board, established in 2022.

FUNTTEL: In 2000, the Brazilian government created the *Fundo para Desenvolvimento Tecnológico das Telecomunicações* (“**FUNTTEL**”), a fund that is supported by, among other sources of income, a contribution tax applicable to all telecommunications companies. FUNTTEL is a fund managed by BNDES and FINEP, government research and development agencies. The purpose of FUNTTEL is to promote the development of telecommunications technology in Brazil and to improve competition in the industry by financing research and development in the area of telecommunications technology. FUNTTEL tax is imposed at a rate of 0.5% on gross operating revenues, net of discount, ICMS, PIS and COFINS, and its cost may not be passed on to clients.

FISTEL: *Fundo de Fiscalização das Telecomunicações* (“**FISTEL**”), is a fund supported by among other sources a tax applicable to telecommunications services, which was established in 1966 to provide financial resources to the Brazilian government for its regulation and inspection of the sector. Such tax consists of: (1) an installation inspection fee assessed on telecommunications stations upon the issuance of their authorization certificates, as well as every time a new mobile number is activated, and (2) an annual operations inspection fee that is based on the number of authorized stations in operation, as well as the total basis of mobile numbers at the end of the previous calendar year. The amount of the installation inspection fee is a fixed value, depending on the kind of equipment installed in the authorized telecommunication station.

Effective in 2001, the installation and inspection fee is assessed based on net activations of mobile numbers (that is, the number of new mobile activations reduced by the number of cancelled subscriptions), as well as based on the net additions of radio base stations. The operations inspection fee equals 33% of the total amount of installation inspection fees that would have been paid with respect to existing equipment. The public funds raised from this installation fee are appropriated to either the Brazilian Communication Company (“**EBC**”), or the Brazilian National Cinema Agency (*Agência Nacional do Cinema*) (“**ANCINE**”), in order to benefit Brazilian cinema industry. Also, Anatel charges the installation inspection fee when there is an extension of the term of validity of the right to use radio frequencies associated with the operation of the personal mobile service. The Brazil Business Unit understands that such collection is unjustified and is challenging this rate in court.

In December 2020, Law No. 14,108 was sanctioned and exempts FISTEL for 5 (five) years from the base stations and equipment that integrate the machine to machine (“**M2M**”) ecosystems and, also, extinguishes the prior licensing. The definition and regulation of M2M communication systems shall be established by Anatel. The Brazilian government also laid out in the budget law for 2021 a tax exemption forecast of FISTEL value. Additionally, in June 2021, Law No. 14,173 was approved, lowering the FISTEL fees on VSATs from BRL 201.12 to BRL 26.83.

Corporate Income Tax and Social Contribution on Net Income: Income tax expense is a combination of two different types of taxes, the corporate income tax, or IRPJ, and the social contribution tax on net income, or CSLL. The corporate income tax is payable at the rate of 15% plus an additional rate of 10% (levied on the part of taxable profits that exceed BRL 0.02 million per month or BRL 0.24 million per year). The social contribution tax is currently assessed at a rate of 9% of adjusted net income.

The rules for deductibility of goodwill were maintained for transactions which occurred prior to the end of 2017. The tax treatment by TIM Celular (now TIM S.A.) of the goodwill arising from the purchase of the companies AES Atimus SP and RJ was not impacted by the new rules.

Regarding dividends, Law No. 12,973 ensured the full and unconditional exemption on payment or credit of profits or dividends earned between 2008 and 2013, previously paid or not. Uncertainty remained, however, in relation to exemption on profits and dividends generated in the calendar year 2014, if higher than the taxable income in the same

period in the case of companies that do not opt for early adoption of the new post-RTT tax regime that year. According to the Federal tax authorities the exception is not applicable to the excess amount, or in other words, to the profits and dividends paid in excess of the taxable income.

Dividends are not subject to withholding income tax when paid. However, as the payment of dividends is not tax deductible for the company that is distributing them, there is an alternative regime for stockholder compensation called “interest on equity,” which allows companies to deduct any interest paid to stockholders from net profits for tax purposes.

These distributions may be paid in cash. The interest is calculated in accordance with daily pro rata variation of the Brazilian government’s long-term interest rate (“**TJLP**”), as determined by the Central Bank from time to time, and cannot exceed the greater of: (1) 50% of the net income (before taxes and already considering the deduction of the own interest amount attributable to stockholders) related to the period in respect of which the payment is made; or (2) 50% of the sum retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to stockholders is subject to withholding income tax at the rate of 15% (or 12.5% for some jurisdictions, as provided in certain Double Taxation Treaties), or 25% in the case of a stockholder domiciled in a low or nil tax jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend. As described herein, TIM Brasil Serviços e Participações S.A. and its subsidiaries paid interest on equity in 2021.

Tax losses carried forward are available for offset during any year up to 30.0% of annual taxable income. No time limit is currently imposed on the application of net operating losses on a given tax year to offset future taxable income within the same tax year, nevertheless there is no monetary restatement.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are added to their net profits for tax purposes. Therefore, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity are computed in the calculation of an entity’s profits, in proportion to its participation in such foreign companies’ capital.

In the end of 2017, the *Receita Federal* (“**RFB**”) issued Normative Instruction No. 1,771/2017 in order to determine the tax treatment due to the accounting CPC 47 – Customer Contract Revenue, which tax treatment went into effect in 2018.

Income tax and social contribution were regulated by Decree 580/2018 and Normative Instruction RFB No. 1,700/2017 in addition to other federal laws and decrees. In December 2018, this decree was revoked and replaced by Decree No. 9,580, which consolidates the main provisions related to income tax and social contribution. As of the date hereof, no relevant impacts to the Company were identified regarding such changes.

Anatel Administrative Proceedings

Under the terms of its PCS authorization, TIM Celular (now TIM S.A.) implemented mobile personal telecommunications coverage for the assigned area. Under such term of authorization, TIM Celular (now TIM S.A.) is required to operate in accordance with the quality standards established by Anatel. If it fails to meet the minimum quality standards required, TIM Celular (now TIM S.A.) is subject to Obligation Non-Compliance Determination Procedures, or PADO, and applicable penalties. Anatel has brought administrative proceedings against the TIM Group, which are currently pending for (1) noncompliance with certain quality service indicators (the quality management regulation, or RGQ, and/or RQUAL); and (2) default of certain other obligations assumed under the Terms of Authorization and pertinent regulations. In its defense before Anatel, the TIM Group attributed the lack of compliance to items beyond its control and not related to its activities and actions. The Brazil Business Unit cannot predict the outcome of these proceedings at this time, but have accrued the amount in its balance sheet as a provision for all those cases in which the Brazil Business Unit estimates its loss to be probable.

NETCO REGULATION

NetCo's operations are subject to EU and Italian electronic communications regulations, general competition law and a variety of other regulations, including privacy and security-related regulations. This section summarizes the key areas of such regulatory frameworks and considers the effect and implications of the Transactions.

The EU Electronic Communications Regulatory Framework

Overview

The EU electronic communications regulatory framework is the basis for the national electronic communications laws in all Member States in the EU (“**Member States**”), including Italy, where NetCo operates. The Member States are required to transpose directives issued by the EU Council and Parliament into national legislation, while the regulations issued by the same EU institutions are binding for any Member State without the need for their transposition into national law. Additionally, EU recommendations suggest certain actions and good practices although they do not have any binding effect on the operators active in the different Member States. The EU electronic communications regulatory framework contains provisions on the execution of sectoral activities of national telecommunications providers and sets out general rules applicable to all providers of electronic communication networks and services, as well as specific regulatory obligations that may be imposed by the national regulatory authorities (“**NRAs**”). In all Member States NRAs are independent bodies that are tasked with regulating and supervising the electronic communications sector and ensuring compliance with the EU electronic communications regulatory framework in each Member State.

Directive (EU) 2018/1972 establishing the European Electronic Communication Code (“**EECC**”) entered into force on December 20, 2018, and is applicable to TIM Group’s operations since its implementation through Italian Legislative Decree of November 8, 2021, No. 207. Article 125 of the EECC expands the scope of the objectives and regulatory tools of the repealed EU Directives issued in 2002 and amended in 2009 (the so-called “**Telecom Package**”). The EECC includes a comprehensive set of measures related to: (i) wholesale-only operators and innovative regulatory models applicable for investments in VHCN, (ii) new rules on spectrum, such as minimum licence duration to improve investment return, (iii) regulation of services, including the introduction of an improved level playing field between telecom operators and new operators of communications ecosystems such as Over-the-Top (“**OTT**”), and (iv) a revised scope of Universal Service Obligation (“**USO**”) for the benefit of users with low income or special social needs with a view to pursue adequate broadband internet access service as well as voice communications services at a fixed location.

The regulatory framework is also supplemented by EU Directive 2014/61/EU (“**Broadband Cost Reduction Directive**”) that aims to facilitate and promote the roll-out of high-speed electronic communications networks (ECN) (i.e. fast broadband internet with speeds above 30 Mbps) in the EU. This objective is pursued by promoting the reuse of existing physical infrastructure, creating the conditions for coordinating civil works and more efficiently installing new physical infrastructure, equipping newly constructed and majorly renovated buildings with physical infrastructure; and streamlining the procedures for granting permits for civil works. Under the Broadband Cost Reduction Directive Member States must ensure that network operators (telecoms, as well as energy, transport and water) give telecoms operators access to their physical infrastructure and network operators are required to give access to their physical infrastructure, on reasonable terms and conditions, including price.

On February 23, 2023, the European Commission put forward a legislative proposal for a new Regulation (the “**Gigabit Infrastructure Act**”) on measures to reduce the cost of deploying gigabit electronic communications networks and repealing the Broadband Cost Reduction Directive, with the aim of setting new rules to enable faster, cheaper and more effective rollout of Gigabit networks, including 5G across the EU. On February 6, 2024, the Council and the EU Parliament reached a provisional agreement on the proposed text.

Regulation (EU) 2018/1971 of the European Parliament and the Council entered into force on December 20, 2018 and it has repealed Regulation (EC) 1211/2009 and amended Regulation (EU) 2015/2120 (“**BEREC Regulation**”). The BEREC Regulation established the Body of European Regulators for Electronic Communications (“**BEREC**”) and the Agency for Support for BEREC (the “**BEREC Office**”). BEREC acts as a forum for cooperation among each Member State’s NRA and between the NRAs and the European Commission.

The European Commission's Recommendation EU 2020/2245 of December 18, 2020 on relevant product and service markets susceptible to *ex ante* regulation, identifies those products and service markets in which *ex ante* regulation may be justified. In alignment with the objectives of the EU electronic communications regulatory framework to progressively reduce *ex ante* sector-specific rules as competition in the markets develops and, ultimately, to ensure that electronic communications markets are governed only by competition laws, the number of relevant markets in which imposition of *ex ante* regulation may be justified has been significantly reduced since the first Commission's Recommendation issued in 2003. By applying the three criteria test from Articles 67(1)(a), (b) and (c) of the EEC, the European Commission has identified (i) the wholesale local access provided at a fixed location market and (ii) the wholesale dedicated capacity market, as the product and service markets in which *ex ante* regulation may still be justified.

In September 2016, through its Connectivity for a Competitive–Digital Single Market - Towards a European Gigabit Society Communication (COM/2016/587 final, the “**Gigabit Society Communication**”), the European Commission has set out a vision for connectivity in the EU over the following decade that includes growth of the high capacity networks, and has established specific strategic objectives to be achieved by 2025. Such objectives include, among others:

- gigabit connectivity for all main socio-economic drivers such as schools, transport hubs and main providers of public services as well as digitally intensive enterprises; and
- access to internet connectivity offering a downlink with a speed of at least 100 Mbps, upgradable to gigabit speed for all European rural and urban households.

Additionally, in order to achieve a successful digital transformation of Europe by 2030, the European Commission has adopted the 2030 Digital Compass: the European way for the Digital Decade (COM/2021/118 final) (“**Digital Compass**”) setting forth the initiative for a creation of a set of digital principles and a legislative proposal that would include a governance framework to monitor the progress of the envisioned digital transformation. The Digital Compass includes the following aims:

- *Skills*: securing that at least 80% of all adults possess basic digital skills and that there are 20 million ICT specialists hired in the EU, with predominantly women taking up such jobs;
- *Infrastructure*: putting in place a secure, functional and sustainable digital infrastructures that would include (i) gigabit connectivity for all EU households and 5G coverage for all populated areas, (ii) cutting-edge and sustainable semiconductors (including processors) with at least 20% of the world's production originating from Europe, (iii) a 10,000 climate-neutral highly secure edge nodes and (iv) the development of the first quantum computer in Europe by 2025;
- *Business*: (i) having three out of four companies using cloud computing services, big data and artificial intelligence, (ii) having more than 90% small and medium size businesses reaching at least a basic level of digital intensity, and (iii) doubling the number of EU unicorns; and
- *Government*: digitalization of public services that would ensure an online availability of all key public services and e-medical records accessible to all citizens, with 80% of citizens using a digital ID solution.

The related Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme (the “**Policy Programme**”) was published in OJEU on December 19, 2022. The Policy Programme introduces a novel form of governance based on cooperation between the Member States and the European Commission to ensure that Member States pool their resources and ultimately jointly achieve the envisioned EU digital transformation.

Commission implementing Decision (EU) 2023/1353 of June 30, 2023 sets out key performance indicators to measure the progress towards the digital targets. On September 27, 2023, the Commission adopted the Communication C(2023) 7500 final establishing Union-level projected trajectories for the digital targets and published the first report on the State of the Digital Decade.

On December 12, 2022, the European Commission adopted the revised Communication on State aid for broadband networks (the “**Broadband State Aid Guidelines**”), used by the European Commission primarily when it assesses

the allocation of state aid for the deployment of fixed and mobile broadband networks and the take-up of available broadband services to support the digital transition, also ensuring its minimal impact on competition.

On February 23, 2023, the European Commission presented a set of actions aimed to make Gigabit connectivity available to all citizens and businesses across the EU by 2030, in line with the objectives of Europe's Digital Decade, and to enable the transformation of the connectivity sector in the EU. Beyond the aforementioned proposal for a Gigabit Infrastructure Act, this so called "connectivity package" includes:

- A Recommendation, addressed to the Member States' NRAs, on the regulatory promotion of Gigabit connectivity (European Commission Recommendation C(2024) 523, the "**Gigabit Recommendation**") was adopted on February 6, 2024, providing guidance to NRAs on how to design access obligations on operators designated as having SMP on the market for wholesale local access provided at a fixed location and promoting their consistent and effective implementation with regard to legacy networks and VHCNs. In particular, the Gigabit Recommendation further details the conditions under which the national regulatory authority should, according to the EECC, not impose or maintain regulated wholesale access prices on VHCN wholesale inputs. The Recommendation also indicates how National Regulation Authorities can smoothly conduct the migration from copper to fibre. It replaces the Commission Recommendation 2010/572/EU of September 20, 2010 on regulated access to Next Generation Access Networks (NGA) and the Commission Recommendation 2013/466/EU of September 11, 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.
- An exploratory consultation on the future of the connectivity sector and its infrastructure, to gather views on how increasing demands for connectivity and technological advances may affect the future developments and needs, including on the potential need for all players benefitting from the digital transformation to fairly contribute to the investments in connectivity infrastructure. Based on the outcome of the consultation, on February 21, 2024, the European Commission presented a set of possible actions to foster the innovation, security and resilience of digital infrastructures and opened a public consultation, until June 30, 2024, aimed at achieving a consensus on:
 - The White Paper on "How to master Europe's digital infrastructure need?" that analyzes the challenges Europe currently faces in the rollout of future connectivity networks, and presents possible scenarios to attract investments, foster innovation, increase security, and achieve a true Digital Single Market.
 - The Recommendation on the security and resilience of submarine cable infrastructures, that presents a set of actions at national and EU level aimed at improving submarine cable security and resilience, through a better coordination across the EU, both in terms of governance and funding.

Some of the key areas of the EU telecommunication regulatory framework which apply to the NetCo's operations upon successful completion of the Transactions are discussed in more detail below.

Net Neutrality

Net neutrality is a principle providing that there should be no restriction on an individual's access to the networks making up the infrastructure of the internet and that any discrimination, restriction, or interference between the types and sources of data conveyed across such networks should be eliminated, irrespective of the sender and receiver, the content accessed or distributed, and the applications or services used or provided. Regulation (EU) 2015/2120 laying down measures concerning open internet access (the "**TSM Regulation**") provides new rules on net neutrality. In particular, TSM Regulation:

- establishes end-users' access rights to distribute information and content, use and provide applications and services and use terminal equipment of their choice, also forbidding internet service providers from blocking or slowing down specific content and applications or services, except in a very limited set of circumstances;
- allows the implementation by providers of internet access services of reasonable, transparent, non-discriminatory and proportionate traffic management measures aimed at improving quality of the network based on objectively different technical quality of service requirements for specific categories of traffic; such

measures shall not be based on commercial considerations but on objectively different technical quality of service requirements of specific categories of traffic and shall not monitor the specific content and shall not be maintained for longer than necessary;

- allows operators to offer services, excluding internet access services, optimized for specific content, applications or services subject to the network capacity and unobstructed availability and quality of internet access services for end-users;
- allows end users to agree with providers of internet access services on tariffs for specific data volumes and speeds of the internet access services. Such commercial practices should not limit the exercise of end users' rights and are subject to monitoring by the NRAs. Additionally, contrary to BEREC's and NRA's previous indications, the European Court of Justice rulings in September 2021 established that zero rating infringes the Net Neutrality rules and is not allowed.

Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators ("MNOs"), MVNOs, and internet service providers not to charge end customers for data used by specific applications or internet services through their network, in limited or metered data plans. It allows customers to use provider-selected content sources or data services like an app store, without worrying about bill shocks, which could otherwise occur if the same data were normally charged according to their data plans and volume caps. This has especially become an option to market 4G networks but has also been used in the past for SMS or other content services.

- places further transparency obligations for ensuring open internet access on providers of internet access services in addition to those already included in the electronic communications regulatory framework.

Privacy and Data Protection

GDPR has been directly applicable in all EU Member States since May 25, 2018. The purpose of GDPR is to provide for the protection of the individual's right to privacy with respect to the processing of personal data, while allowing a certain degree of flexibility for service providers to process such personal data. As such, GDPR significantly changes the EU and EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines for breaching GDPR of up to 4% of an annual turnover. NetCo has put in place a specific project to carry out all the activities needed to ensure its compliance with the rules introduced by GDPR.

Additionally, NetCo's operations are subject to the complimentary sectorial rules under Directive 2002/58/EC (the "**e-Privacy Directive**") implemented into Italian law on June 30, 2003, which imposes additional limitations on the data processing by the electronic communications services operators. Currently, this directive is under review by the European Commission and the regulatory proposal foresees fines for non-compliance with the rules thereunder that are equal to those for breaches of GDPR. For further information, please see "*Risk Factors— Risks Related to NetCo's Legislative and Legal Framework— NetCo's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.*"

Security

The new Directive 2022/2555 on Network and Information Systems ("**NIS2**"), which replaces the current Directive 2016/1148 (NIS) entered into force on January 16, 2023 and must be transposed into national legislation by October 17, 2024 and will be applicable from October 18, 2024.

NIS2 envisages the extension of the scope of application of the rules on the security of networks and information systems, including on the one hand sectors currently covered by other regulations, which are simultaneously repealed (i.e. the security measures of networks and services of electronic communications, currently included in the EECC) and on the other hand extending the rules to new subjects (e.g., data centers, CDNs, etc.).

While NIS2 confirms the obligation to adopt security measures that are proportionate to the risk, it introduces a series of minimum requirements, including with regard to supply chain security management, and it revises the mandatory notification procedure for cyber incidents.

The penalties for non-compliance can be up to 2% of the turnover.

Data Act

Following publication in the Official Journal on December 22, 2023, the Data Act, a European Regulation that introduces harmonized rules on fair access to data and its use, entered into force on January 11, 2024 and will be directly applicable starting from September 12, 2025.

The Data Act covers several areas, among which:

- **Business to Business.** The aim is to ensure fairness in the allocation of the value of data generated by connected devices among actors in the data economy. The Data Act provides for a shared right in the use of data between the manufacturer and the user of connected devices, allowing the latter to access – without undue delay and free of charge – the data generated by the device and to share such data with third parties to provide after-sales services or other innovative services based on them.

However, the Data Act provides that the circulation of data between companies may require the payment of a reasonable and non-discriminatory price, which includes the cost of making it available and the investments made for the collection and production of such data.

The Data Act also recognizes that some data may represent trade secrets, the circulation of which would harm companies' interests and proprietary rights. The text of the Regulation has therefore introduced a series of provisions aimed at protecting such information.

- **Business to Government.** The Regulation also aims at enabling the access by public sector bodies to data held by the private sector in emergency situations, such as health emergencies or serious natural disasters, and in other exceptional cases, where it is not possible to find the data on the market and the lack of such data prevents the public entity from carrying out a specific task of public interest provided for by law. Data sharing in emergency situations must be carried out free of charge, while in the remaining exceptional cases private entities will be entitled to reasonable compensation.

The Italian Regulatory Framework

Overview

The electronic communications regulatory framework applicable to NetCo's operations in Italy, is based primarily on the Electronic Communications Code, i.e. Legislative Decree No. 259/2003, as amended by Legislative Decree No. 207 ("ECC") that entered into force on December 24, 2021. By implementing this latest amendment, Italy has transposed the EECC into Italian national law.

Another law affecting NetCo's business, related to consumer, data and security protection and specific aspects of the communication sector is the Decree Law No. 76/2020, converted by Law No. 120/2020, and Decree Law No. 77/2021, converted by Law no. 108/2021 (also known as "*Decreti Semplificazioni*"). Especially the latter piece of law contains important simplification measures to speed up the completion of both 5G and the ultrabroadband fiber optic networks in Italy. Furthermore, Decree-Law No. 36/2022 (also known as NRRP 2 Decree), converted by Law No. 29 of June 2022, which introduces measures in the ECC, namely simplified authorization measures for mobile network development, and Decree-Law no. 13/2023 (also known as NRRP 3 Decree) converted by Law No. 41/2023, which introduces other important simplification measures in the authorization process, with the aim of fostering the development of fixed and mobile ultrabroadband.

The telecommunications sector in Italy is primarily supervised by AGCOM, Italy's NRA for the communications sector. The key duties of AGCOM consist of ensuring fair market competition and protecting fundamental rights of all users of electronic communication networks and services and, more generally, all citizens, also extending to different functions related to the communications sector. Additional powers related to the electronic communications sector were granted to AGCOM by the Italian Decree Law No. 119/2018 dated December 18, 2018, that also amended the ECC with a view to foster investment in ultra broadband networks. Such AGCOM's powers include defining adequate measures of investment remuneration to incentivize the merger of different access networks placed under

the control of a non-vertically integrated subject offering only wholesale network services. Governmental responsibility for electronic communication networks and services in Italy lies with the Ministry of the Enterprises and Made in Italy, having a principal responsibility related to the national broadband plan, spectrum and numbering management as well as integrity and security of the networks.

On May 12, 2023, the Ministry of Enterprises and Made in Italy launched a public consultation on the draft Legislative Decree amending the Electronic Communications Code. The consultation was primarily aimed at providers of electronic communications networks and services. Its purpose was to gather market input and comments on the implementation of the new sector legislation one year after the entry into force of the ECC, in line with the objectives of Directive (EU) 2018/1972 set out in the Digital Single Market Strategy for Europe. The consultation was closed on June 15, 2023.

Following the market consultation, the Council of Ministers approved a Legislative Decree on December 18, 2023, as part of a preliminary examination, which provides for corrections to Legislative Decree No. 207 of November 8, 2021. The text, which was sent to Parliament on December 22, 2023 for the necessary opinion, and which will be returned to the Council of Ministers for final approval, updates the current provisions, adapting them to technological developments in the field of electronic communication services (5G connection) with particular regard to the innovation and implementation of digital infrastructures (repeaters for 5G connections; fiber optic cables) supported by the NRRP. In addition, the revision makes corrections to procedural provisions in order to simplify and shorten bureaucratic procedures.

Market Analysis

The Italian regulatory framework requires AGCOM, in its role as Italian NRA, to carry out periodic market analyses according to the specific EU guidelines before imposing any obligations on any individual operator with an SMP. Such market analysis sets the rules for a period of up to five years. In such context, AGCOM may impose *ex ante* obligations on an operator with SMP when a specific market is found to have three characteristics: (i) high and non-transitory structural, legal or regulatory barriers to entry; (ii) a market structure which does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based competition and other sources of competition behind the barriers to entry; and (iii) competition law alone is insufficient to adequately address the identified market failures.

In both cases, pursuant to Article 79 of the ECC, AGCOM must impose, based on proportionality principle, one or more of the following obligations on an operator with SMP:

- (a) the obligation to make public specific information, such as those relating to accounting, prices, technical specifications, network characteristics, or terms and conditions (*transparency obligation*);
- (b) the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions and quality as provided for its own services (*non-discrimination obligation*). Such obligation may include the so-called replicability test (i.e. the obligation, for a vertically integrated operator, to set prices in the retail market that can be replicated by an efficient operator);
- (c) the obligation to keep separate accounts in relation to specified activities related to interconnection or access (*accounting separation obligation*);
- (d) the obligation to meet reasonable requests by competitors for access to civil engineering, as well as access to, and use of, specific network elements and associated facilities at fair terms (*access obligation*);
- (e) the obligation to apply cost-oriented prices and cost accounting (*cost-orientation obligation*). The cost-oriented model currently used by AGCOM for wholesale access markets, upon recommendation of the European Commission, is the bottom-up, long run, incremental, cost-plus methodology (“**BU-LRIC⁺**”). The BU-LRIC⁺ models the incremental capital (including sunk capital) and operating costs borne by a hypothetically efficient operator in providing all access services, and adds a mark-up for recovery of common costs. The full costs are calculated on a forward-looking basis (i.e. based on up-to-date technologies, maintenance, total accesses, etc.) that an efficient network operator would incur to build a modern network able to provide all required services. To determine the final price, the BU-LRIC⁺ methodology also considers

the cost of capital invested, to allow an efficient rate of return on capital employed usually through the weighted average cost of capital (“WACC”) and, if justified, the application of a risk premium.

Co-investment Offer in a VHC network

Article 76 of EECC provides for an innovative deregulation regime for very high-capacity fiber networks deployed by an operator with SMP in the context of a co-investment offer (“CIO”). In particular, if: (i) the commitments proposed by the operator with SMP through the CIO are deemed by AGCOM to meet certain competitive requirements by AGCOM set forth in Article 76 of the EECC; and (ii) at least one potential co-investor has joined the CIO, then AGCOM does not impose any of the obligations provided for by Article 79 of the EECC for operators with SMP.

On January 29, 2021, TIM notified AGCOM of a CIO pursuant to Articles 76 and 79 of the EECC related to the construction of a new fiber network. The CIO was subsequently amended and integrated by TIM in March, April, June, and December 2021, in accordance with the indications provided by AGCOM in its “*Preliminary Conclusions*” issued at the end of the market test that was commenced by AGCOM’s Resolution 110/21/CONS. On May 16, 2022, AGCOM sent a draft of the notification related to the CIO to the European Commission (case IT-2022-2375). However, on June 7, 2022 AGCOM withdrew the notification following TIM’s notification of an indexation mechanism to the price inflation related to the CIO, pointing to a recent, unforeseen, and significant increase in inflation. The indexation mechanism was subsequently amended by TIM in July, September, and October 2022 on the basis of indications provided by AGCOM. By its Resolution 385/22/CONS published on November 7, 2022, AGCOM launched a market test on the staggered mechanism of indexation of prices proposed by TIM to set the annual inflation rate to be applied to the prices of the CIO from 2023. The revised version of the CIO, as requested by AGCOM, also provided that the economic conditions for 2021 would be applicable to co-investors joining by April 2023. On February 9, 2023, the Authority communicated to TIM its preliminary conclusions requiring a revision of the price indexation model of the co-investment offer. On December 6, 2023, AGCOM invited TIM to submit such new offer, stating that further inactivity would be deemed by AGCOM as an express decision by TIM not to proceed with the CIO. Following a communication sent by TIM on December 15, 2023, in which TIM declared that AGCOM’s requests on the indexation mechanism could not be met and that the CIO would therefore be removed from TIM’s website, AGCOM published Resolution 339/23/CONS, declaring that TIM’s CIO, in its latest version, was not approved.

Delaying of vertically integrated operators

Pursuant to Article 89 of the ECC, an operator with SMP must inform AGCOM at least 90 days ahead of any intended transfer of their network assets to a separate legal entity under different ownership, or the establishment of a separate business entity to provide all retail providers with fully equivalent access products (*separazione volontaria da parte di un’impresa verticalmente integrata*). In such event, AGCOM shall conduct a specific market analysis to assess the effect on the relevant markets and therefore impose, maintain, amend, or withdraw *ex ante* obligations.

In November 2020, AGCOM concluded the preliminary assessment of TIM’s voluntary separation project for the creation of a newco, FiberCop, controlled by the TIM Group and owned through minority shareholdings also by KKR Infrastructure Fund and Fastweb, which, on March 31, 2021, acquired the secondary copper and fiber access network owned by the TIM Group and Flash Fiber (the joint venture entity created together with Fastweb back in 2016 and merged into FiberCop in the context of the abovementioned transaction completed on March 31, 2021).

With Resolution No 637/20/CONS, published in December 2020, AGCOM launched the public consultation on the voluntary separation project of the TIM Group’s fixed access network, the outcome of which was published in October 2021 with Resolution No. 253/21/CONS. However, on July 7, 2022, the TIM Group communicated to AGCOM that the delaying plan envisaged as part of the Transactions would supersede the original voluntary separation project to which the public consultation referred.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a delaying project, consisting in the Transactions, pursuant to Article 89 of the ECC, aiming among other to obtain recognition by AGCOM of NetCo’s status as a wholesale-only operator. See also “*Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,*” and “*Risk Factors—Risks Related to the TIM Group’s Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to*

comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.”

Wholesale-only operators

Pursuant to Article 91 of the ECC, when an operator absent from any retail market for electronic communications services (also as a result of the layering of a vertically integrated operator) is designated by AGCOM as having SMP in one or more wholesale markets, the “wholesale-only” regime applies to such operator in the event that AGCOM acknowledges the presence of two elements: (i) none of the companies or business units within the operator or controlled by the operator, nor any shareholder having control over the operator, have activities in any retail market for electronic communications services provided to end-users within the EU; and (ii) the operator is not bound to deal with a single and separate operator in the retail market for electronic communication services provided to end-users due to an exclusive/*de facto* exclusive agreement.

The wholesale-only regime provides that AGCOM, if justified in the context of the Market Analyses, may impose on the relevant wholesale-only operator with SMP the obligations relating to non-discrimination, accounting separation, and access, as well as the obligation to apply fair and reasonable pricing (excluding, in principle, cost-orientation obligations). In this regard, the successful overcoming of vertical integration and the potential acknowledgment by AGCOM, in the context of the Market Analyses, of NetCo’s status as a wholesale-only operator are expected to lead to NetCo ceasing to be subject, among other things, to the applicability of cost-orientation obligations. See “*Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,*” and “*Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group’s Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.*”

The following sections summarize the key areas of the Italian markets that have been scrutinized by AGCOM to assess competition conditions, along with the recent developments concerning the electronic communications market, as well as the main obligations imposed by AGCOM on the TIM Group with the latest Market Analyses.

Wholesale Fixed Access Markets

AGCOM’s Resolution 348/19/CONS published on August 8, 2019 sets the obligations and economic conditions for wholesale access services for the period from 2018 to 2021. With reference to the most important geographic issues under the market analysis, AGCOM has taken the following major decisions:

- confirmation of TIM’s status as an SMP operator in the wholesale local access provided at a fixed location market (“**Market 3a**”), and wholesale central access provided at a fixed location for mass-market products market (“**Market 3b**”) in Italy with the exclusion of the city of Milan, where the *ex ante* regulation has been entirely withdrawn;
- confirmation, as a consequence, of the following obligations on TIM in both Market 3a and Market 3b:
 - the obligation to provide access to and use of certain of TIM’s network elements (in particular, LLU and SLU wholesale local access to copper network, wholesale local access to fiber network, wholesale Bitstream access to ethernet, copper and fiber network, multicast access, access to FWA network in decommissioning areas – if adopted by TIM to complete NGA coverage of MDF areas – and disaggregation of LLU, SLU and VULA FTTC provisioning and assurance activities);
 - transparency obligations in relation to wholesale access services to copper and fiber network. In particular, obligation to: (i) publish an annual Reference Offer in relation to certain copper, fiber and FWA networks’ services, to be approved by AGCOM; (ii) provide information on sites and infrastructures where wholesale local access is available; and (iii)

publish on its website news relating to the deployment of any new fiber access infrastructure;

- non-discrimination obligations, both in relation to the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions (including price) and quality (including technology) as provided for its own services (AGCOM confirmed the equivalence model provided for in Resolution 652/16/CONS) and also in relation to the obligation to submit retail offers ahead of their launch for AGCOM's replicability test;
- accounting separation obligations for each of the services provided under the relevant markets, with identification of the prices applied to OAO for wholesale access and those relating to the transfer charge (i.e. prices applied to internal transfers); and
- cost-orientation obligations, with application of the BU-LRIC⁺ model for the relevant wholesale access prices. However, in 26 municipalities considered "contestable," AGCOM withdrew the cost-orientation obligation for copper and NGA bitstream services (Market 3b) and gave the possibility to apply VULA prices lower than the average national amount starting from 2021, subject to AGCOM acknowledging an adequate competition level of alternative networks and a significant FTTH take-up in 2020 with a target threshold that was set by decision 12/21/CONS, but it was not met in June 2021 (Resolution 42/22/CONS). The list of "contestable" municipalities has been then updated achieving a total number of 43 municipalities for year 2022 (as defined through Resolution 385/21/CONS) and 55 municipalities for year 2023 (Resolution 41/23/CONS).

With Resolution No 637/20/CONS, published in December 2020, AGCOM started a new coordinated analysis of the markets for fixed network access services pursuant to Article 50-ter of the ECC (now Article 89). The new market analysis procedure, which is still ongoing after having been extended by AGCOM's Resolutions nos. 412/21/CONS of December 21, 2021, and 152/23/CONS of June 21, 2023, will update the regulatory framework for the markets for wholesale fixed network access services based on changed competitive conditions and new European regulatory framework. In this regard, with Resolution 152/23/CONS, AGCOM called a public consultation concerning a scheme for a new market analysis aimed at regulating the period 2024-2028. The said scheme envisages the following major proposals:

- confirmation of the TIM's status as an SMP operator in Market 1 (wholesale local access provided at a fixed location market in Italy) with the exclusion of the cities of Milan and Cagliari, where the *ex ante* regulation has been entirely withdrawn;
- confirmation of the obligations imposed on TIM in the Market 1 with Resolution 348/19/CONS, with the following amendments: (i) removal of the obligation to provide WLR services and DSLAM access; (ii) application of the disaggregation model already used on copper services to certain new fiber services (VULA FTTH and semi-GPON); (iii) extension of the full equivalence regime to the obligation to provide access to civil engineering; (iv) new fiber access obligations such as semi-GPON and full GPON access; (v) extension of the *ex ante* replicability test to flagship offers; and (vi) withdrawal of the cost-orientation obligation for VULA (FTTC and FTTH), semi-VULA, full-GPON and semi-GPON in 59 municipalities considered "contestable," where prices will be subject to fairness and reasonableness principles; and
- withdrawal of *ex ante* regulation in Market 3b (wholesale central access provided at a fixed location for mass-market products market).

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See "*Risk Factors—Risk related to NetCo's Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,*" and "*Risk Factors—Risks Related to NetCo's Business Activity and Industry—The implementation of the Transactions may be complex and there can be*

no assurance that NetCo will be able to deliver any or all of the related expected benefits of the Transactions from a regulatory perspective.”

2022 and 2023 prices for wholesale fixed network access services

By its Resolution 337/22/CONS, subsequently supplemented with Resolution 388/22/CONS, AGCOM opened a public consultation on the prices for the period from 2022 to 2023 for wholesale access services to the fixed network of copper and fiber network offered by TIM and FiberCop. As clarified by AGCOM, the definition of the abovementioned prices for 2022 and 2023 is necessary in order to ensure, pending the completion of the coordinated analysis of the access markets launched by Resolution 637/20/CONS, the necessary regulatory predictability for all operators active in the market, both at wholesale and retail level, and avoid the retroactive application of economic conditions, as repeatedly requested by the European Commission.

After the operators’ hearings and comments of the European Commission on the draft decision, by its Resolution 132/23/CONS, AGCOM approved the following 2023 fees of the main wholesale access services compared to the values approved for 2021.

Services	Fees (€)		Variations
	2023	2021-2022	(2023 vs 2021)
LLU	9.91	8.90	+11.3%
SLU	5.89	5.30	+11.1%
FTTC VULA	13.07	12.50	+4.6%
Dark fiber in primary access network – 15 years IRU	1,874.38	2,484.53	-24.6%
Dark fiber in secondary access network – 15 years IRU.....	1,314.72	1,563.21	-15.9%
FTTH VULA	14.26	15.35 (2021) 14.84 (2022)	-7.1%
Fiber in-house wiring.....	2.50	2.80	-10.7%
Copper in-house wiring	0.51	0.47	+8.5%

Source: AGCOM – Resolution 132/23/CONS published on June 9, 2023

This decision reduces the differential between wholesale access prices in fiber and copper by creating, on the one hand, an incentive to invest in new FTTH networks for both the incumbent and new entrants, and on the other hand, an acceleration of customer migration from legacy copper networks to new fiber networks. It is in some ways a historical decision that reverses a ten-year trend of reduction: it had been ten years since AGCOM had adjusted copper and FTTC rates upwards, pursuing a policy of maintaining or reducing tariffs.

In the scheme for a new Market Analysis published by AGCOM on June 21, 2023, AGCOM proposed, among others, the following fees of the main wholesale access services for years 2024-2028:

Services	Fees (€)				
	2023	2025	2026	2027	2028
LLU	10.26	10.44	10.65	10.87	11.16
SLU	7.24	7.37	7.52	7.69	7.90
FTTC VULA	13.07	13.18	13.40	13.74	14.18
Dark fiber in primary access network – 15 years IRU	1,889.38	1,905.02	1,920.33	1,935.65	1,950.97
Dark fiber in secondary access network – 15 years IRU.....	1,346.67	1,378.63	1,410.58	1,442.53	1,474.49
FTTH VULA	14.24	14.23	14.21	14.19	14.18
Fiber in-house wiring.....	2.45	2.39	2.34	2.29	2.23
Copper in-house wiring	0.63	0.63	0.63	0.63	0.63

Source: AGCOM – Resolution 152/23/CONS published on June 21, 2023

With particular regard to FTTC and FTTH VULA rates, AGCOM’s proposal provides for a glide path to limit burdens on FTTC operators and provide them with more time to migrate to FTTH networks, which are expected to become increasingly available in the course of the regulatory period. However, since, at the time the said scheme was published, the details of the Transactions had not yet been notified to AGCOM, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also “—Wholesale Fixed Access Markets,” “Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated

industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,” and “Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group’s Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.”

Terminating Segment of Leased Lines

AGCOM’s Resolution 333/20/CONS related to the market of wholesale high-quality access provided at a fixed location divided in two relevant markets concerning the terminating segment of leased lines, published on August 31, 2020, provides the following:

- withdrawal of an *ex ante* regulation in the competitive area of Milan;
- removal of the cost-orientation obligation for leased lines services 24 municipalities that have been found “*contestable*” in relation to this specific market. In such municipalities, prices shall anyway comply with fairness and reasonableness principles;
- withdrawal of the obligation to provide the following access services for new activations: (i) analogic terminating circuits, and digital PDH terminating circuits with a speed less than or equal to 2 Mbps, (ii) ethernet over SDH termination and (iii) Ethernet over SDH interconnection links.

Consistently with a previous round of market analysis, prices of PDH and SDH circuits are set according to a network cap model valid for the years 2019, 2020 and 2021, while corresponding one-off fees were reduced by 2% per year. On the other hand, monthly fees and one-off fees for terminating ethernet over optical fiber services will be evaluated yearly by way of the Reference Offer approval procedure.

As for the year 2022, AGCOM proposed in consultation (Resolution No. 337/22/CONS) to confirm prices for the year 2021 for all the services in non-contestable areas, to limit retroactive effect. Considering the instable condition of inflation, in the consultation AGCOM proposed to confirm 2021 prices approved for leased lines over SDH also for year 2023 and confirmed cost orientation for fiber products. After the national consultation and comments of the European Commission on the draft decision, by its Resolution 132/23/CONS AGCOM confirmed all the proposed provisions, except for the prices of Ethernet over fiber leased lines products that were updated consistently with price evolution of VULA FTTH services, for 2022 (-3.36% with respect to 2021) and 2023 (-2.04% with respect to 2022).

In the scheme for a new Market Analysis published by AGCOM on June 21, 2023, AGCOM:

- proposed to extend the withdrawal of an *ex ante* regulation to the competitive areas of Turin, Barletta, Cornaredo, and Basiglio;
- in line with Resolution 333/20/CONS, proposed to set PDH and SDH circuits prices in the remaining municipalities according to a network cap model valid for the years 2024-2028, while maintaining one-off fees at the levels approved for 2023 (with the exception of prices of Ethernet over fiber leased lines services, subject to cost orientation obligations based on the bottom-up model); and
- proposed to update the list of “*contestable*” municipalities in relation to this specific market to include a total of 67 municipalities and, consequently, remove the cost-orientation obligations for leased lines services in such municipalities (providing that regulated prices approved for 2023 shall continue to apply until December 31, 2024).

However, since, at the time the said scheme was published, the details of the Transactions had not yet been notified to AGCOM, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also “—Wholesale Fixed Access Markets,” “Risk Factors—Risk related to NetCo’s Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,” and “Risk Factors—Risk related to NetCo’s Business Activity and Industry—The implementation of the

Transactions may be complex and there can be no assurance that NetCo will be able to deliver any or all of the related expected benefits of the Transactions from a regulatory perspective.”

Wholesale call termination on individual public telephone networks provided at a fixed location

On February 2, 2022, AGCOM published Resolution 13/22/CONS withdrawing regulatory obligations previously imposed to voice call origination on a fixed network (including the third billing obligation) applicable after a transitional period of 24 months and simplifying the regulation of voice fixed termination. Further, AGCOM’s decisions contained in this Resolution, are the following:

- confirmation of TIM and 25 other operators’ status of SMP operators with regard to the voice fixed termination market;
- confirmation of the 2019 termination price of €0.041 per minute until June 30, 2021;
- entry into force of the single maximum EU-wide wholesale rate of €0.07 per minute on July 1, 2021;
- cost orientation under a symmetrical regime for the prices of the services that are ancillary and additional to the termination service;
- withdrawal of cost accounting and accounting separation obligations imposed to TIM, as well as of half-yearly reporting obligations, for termination services without any transitional period; and
- reduction (from 12 months to 6 months) of the notice period required for all SMP operators for communicating the intention of decommissioning of one or more Time Division Multiples (“TDM”) interconnection nodes, as well as removal from the publication of the final decision on the obligation to activate new interconnections with a TDM interface.

The Universal Service

The Universal Service (“US”) is a minimum set of services of a certain quality, that must be guaranteed to all customers, regardless of their geographical location in Italy, and offered at a reasonable price, taking into account specific national conditions. Currently, under Article 94 of the ECC, such US services are (i) provision of broadband internet access services, and (ii) provision of voice communication services, including the underlying connection, at a fixed location (see Article. 94, paragraph 1 of Italian Legislative Decree No. 207/2021).

In the past, under the previous version of the Italian Communication Code (CC), TIM was the only operator designated to provide the US. However, pursuant to the new Italian CC, AGCOM, in order to designate one or more companies as suppliers of the US, must first identify minimum bandwidth for an adequate broadband internet access service (Art. 94, paragraph 3 of the Italian CC) and subsequently must verify that the availability and the economic accessibility at a fixed location of such service along with voice service cannot be guaranteed throughout the national territory under normal commercial conditions and through other potential instruments of public policies (Article 95 and Article 96 of the Italian CC). In this regard, by its Decision No. 309/23/CONS of December 5, 2023, AGCOM identified broadband internet access with a download speed of 20 Mbps as the broadband internet access service to be provided as part of the US, and clarified that, pending further AGCOM’s determinations, TIM cannot be considered to be automatically bound to provide such US broadband internet access services.

The Universal Service Fund (“USF”) was established as a fund collecting and holding mandatory contributions paid by the major Italian communications companies in order to finance the net costs for US provided by the designated US operator, TIM.

AGCOM is responsible for verifying the net cost of the US provision and assessing whether this amount represents an unfair burden for the designated operator. If such burden is determined to be unfair, the designated operator may be entitled to an adequate compensation through the USF.

AGCOM assessed the net cost and authorized the funding mechanism until 2005 but did not recognize any net cost contribution for 2006 and 2007. The net cost for the provision of US for the period from 2004 to 2007 was subsequently

calculated on the basis of a methodology established by AGCOM's Resolution 1/08/CIR in 2008 with a retroactive effect, that led to a significant decrease in the amount to be financed. The Council of State had overruled AGCOM's resolution. In response to such decision, AGCOM issued Resolutions 207/17/CONS and 145/17/CONS initiating proceedings for the review of the calculation of US net costs for 2004 and 2005, and 2006 and 2007, respectively. Additionally, with Resolution 103/19/CIR issued on September 11, 2019, AGCOM has recognized a supplementary US net cost charged to the other operators for the period from 2004 to 2007, to be equal to €26.7 million. Finally, with Resolution 88/18/CIR, published on June 21, 2018, AGCOM has determined that the net cost for 2008 equals zero and the net cost for 2009 amounts to €11.61 million and it is to be shared by the fixed and mobile operators.

On July 7, 2015, the Council of State delivered a decision rejecting TIM's appeal filed against TAR's decision related to AGCOM's Resolution issued in 2011 in connection with the proceedings for the review of the calculation of US net costs from 1999 to 2003 (excluding 2001). The subsequent decision of the Supreme Civil Court issued on December 27, 2017, rejected the following appeal filed by TIM and confirmed the need for a renewal of the proceeding to calculate the US net costs for the period above. AGCOM began the renewal proceedings for these years and periods with Resolution 102/19/CIR on September 11, 2019. Such proceeding has been dismissed through Resolution No. 190/19/CIR following the decision of the Council of State dated October 8, 2019, that confirmed the possibility for AGCOM to renew the proceeding but provided a new guidance on the principles to be followed in doing so.

Following the Council of State's decision, Vodafone had requested a refund from TIM of the amounts paid for 1999, 2000, 2002, 2003 and subsequent periods. Through the abovementioned decision published in October 2019, the Council of State has also accepted the appeal of Vodafone, requiring TIM to return the disputed sums.

In September 2020, AGCOM ended the public consultation related to the review of the unfairness of US net cost charges for the period from 1999 to 2009. In resolution 263/20/CIR, AGCOM defined a new approach to demonstrate unfairness of US net cost charges and, on the basis of such new approach, AGCOM recognized the unfairness of the charges for the period from 2002 to 2009, while AGCOM did not find the net cost charges for 1999 and 2000, to be unfair.

On March 29, 2021, in its Resolution 18/21/CIR, AGCOM confirmed the obligation for mobile operators to participate in US contribution mechanism for the period from 2001 to 2009. However, AGCOM's Resolution 18/21/CIR was challenged by the other authorized operators ("OAOs"). Vodafone and Wind requested the suspension of the payment of the contributions to the USF until the conclusion of the proceeding, and the Ministry informed the fixed and mobile OAOs not to proceed with the payment of contributions of the years in question.

On February 17, 2022, the TAR annulled AGCOM's Resolution 18/21/CIR by accepting one of the grounds of appeal advanced by the OAOs focused on the threshold parameter relating to the unfairness of the burden that was contested with regard to the economic and financial impacts on the OAOs in question. The further OAOs appeal grounds were instead rejected by the TAR.

In the context of the second instance proceeding, the Council of State, with two decisions dated April 18, 2023 and May 2, 2023 (respectively, orders No. 3885/2023 and No. 4356/2023), decided to request a preliminary ruling by the European Court of Justice on the conditions to be met for AGCOM to impose USF obligation to the OAOs. The rulings of the EU Court of Justice are expected to be issued in 2025.

On September 14, 2021, AGCOM published Resolution 92/21/CIR with the final aim to assess the possible unfair nature of the US net costs for years 2010-2013. However, on June 27, 2022, AGCOM issued Resolution 1/22/CIR suspending the deadlines of the proceeding originally established by Resolution 92/21/CIR and then extended by Resolutions 58/22/CONS and 143/22/CONS in light of the impacts that could result from the abovementioned judicial proceeding against Resolution 18/21/CIR pending before the Council of State.

Finally, by Resolution 98/23/CONS, AGCOM has withdrawn the obligation to ensure the availability of public payphone service in the US framework.

Regulatory levies

Contribution Fees for the Functioning of AGCOM and for maintaining the authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use

NetCo and the other electronic communications operators in the Italian market are required to pay annual contribution fees to cover AGCOM's costs for its regulatory activities over the electronic communications sector. The contribution fees are determined in accordance with the AGCOM's specific resolutions issued yearly by AGCOM and are calculated on the basis of each operator's revenues.

Contribution fees for the electronic communications sector were determined by AGCOM as equal to 1.3 per thousand of each operator's revenues for 2022, and equal to 1.4 per thousand of each operator's revenues for both of 2023 and 2024, while contributions fees for the "media" sector were determined as equal to 1.9 per thousand of each operator's revenues for 2022, and equal to 2 per thousand of each operator's revenues for both of 2023 and 2024. On the basis of such resolutions, TIM paid, under reserve, approximately €15.7 million for 2022 and approximately €16.1 million for 2023.

In addition, the TIM Group is required to pay additional annual levies to the Ministry for the Enterprises and the Made in Italy for maintaining its authorizations as provider of electronic communications networks and services.

Government's UBB Network State Aid Plans

In June 2016, the European Commission authorized the Italian government's ultrabroadband ("**UBB**") State Aid Plan ("**UBB State Aid Plan**") in an amount of €4 billion. The purpose of UBB is to foster expansion of NGA, a new or upgraded access networks, that compared to the existing services will allow for the substantial improvements in broadband speeds and quality of service for 25% of the Italian population living in about 7,200 municipalities across Italy belonging to UBB "white areas" (i.e. the areas where NGA is currently not available and there is no interest of private operators to deploy it in the near future). According to UBB State Aid Plan, these 7,200 municipalities are grouped into two clusters, cluster C and cluster D. According to UBB State Aid Plan, 70% of the connections in cluster C will be provided with at least a speed of 100 Mbit/s for downloading and 50 Mbit/s for uploading services, while the remaining 30% should be able to reach at least a speed of 30 Mbit/s for downloading and 15 Mbit/s for uploading services. Connections falling under cluster D should be able to download at a speed of at least 30 Mbit/s for and upload at a speed of at least 15 Mbit/s.

On June 3, 2016, Infratel published an invitation for a tender procedure of €1.4 billion for a 20-years concession for deploying and managing an UBB "passive" infrastructure, composed by ducts and dark fiber, in the white areas in Abruzzo, Molise, Emilia Romagna, Lombardia, Tuscany and Veneto regions. On March 7, 2017, the tender was awarded to Open Fiber.

On August 8, 2016, Infratel published another invitation for a second tender regarding the ultrabroadband white areas that include ten additional Italian regions (Piemonte, Valle d'Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and Trento Autonomous Province), for a total public financing of approximately €1.25 billion. TIM did not submit any bids. On July 28, 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra Broadband "*Towards the Gigabit Society*" (the "**Strategy**"), approved on May 25, 2021 by the Interministerial Committee for the Digital Transition ("**ICDT**"), defined the actions necessary to achieve the digital transformation objectives set by the European Commission in its Gigabit Society Communication and Digital Compass. See "*The EU Electronic Communications Regulatory Framework—Overview.*"

The NRRP approved by the Italian government on April 29, 2021, allocates 27% of the resources to the digital transition, of which €6.7 billion are intended for strategic projects related to the ultrabroadband services, in line with the Government's strategy launched in 2015. In addition to the objective to complete the coverage plan for UBB white areas and create measures to support demand, the Strategy mentioned in the previous paragraph is composed by five further public intervention plans to cover the geographical areas in which the supply of infrastructures and very high-speed digital services by market operators is absent, insufficient, or the improvement is not imminently expected. The €6.7 billion funds have been allocated by NRRP's for the following plans:

- *“Italia a 1 Giga” Plan;*
- *“Italia 5G” Plan;*
- *“Connected Health” Plan;*
- *“Connected School” Plan;* and
- *“Smaller Islands” Plan.*

Through these measures and plans, the Italian government intends to bring forward by 2026 the 1 Gbit/s connectivity objectives for all Italian citizens across the national territory and full 5G coverage in the populated areas set by the Digital Compass for 2030.

Pursuant to the provisions of the abovementioned agreements with Infratel, the transfer of TIM’s business as a going concern envisaged as part of the successful completion of the Transactions, including the envisaged take-over of NetCo in TIM’s position in the BB/UBB, the *“Italia a 1 Giga” Plan*, and the *“Italia 5G” Plan’s* fiber Backhauling Tender, is subject, for the purposes of such agreements, to the obtainment of the consent of Infratel.

“Italia a 1 Giga” Plan

The *“Italia a 1 Giga”* is a €3.86 billion plan that would guarantee a fixed coverage of 1 Giga in download and at least 200 Mbit/s in upload speed in the Grey and Black Areas where, until 2026, the plans of private operators could not guarantee *“reliable”* download connections of at least 100 Mbit/s.

In April 2021, Infratel started mapping UBB fixed coverage plans for the period starting from 2021 and ending in 2026 by all private operators, including FWA coverage, based on 21.3 million grey and black addresses collected during the previous mappings. The results of the fixed mapping were published on August 6, 2021. The intervention threshold was set at the coverage of 300 Mbit/s, and based on such threshold approximately 6.2 million street addresses were identified as the object of public intervention. Following a public consultation on the methods of intervention, invitations for tenders with an incentive model on a regional or multi-regional basis will be used for the disbursement of public funding.

Within the *“Italia a 1 Giga”* plan, on October 13, 2021, Infratel launched a complementary consultation that ended on November 15, 2021, relating to updates to the mapping of UBB fixed coverage in the white areas of the 2016 BUL Plan, which covers 11.8 million citizens, including:

- the street addresses of the BUL tender awarded to the public concessionaire Open Fiber; and
- street addresses corresponding to approximately 450,000 real estate units located in remote areas (so-called *“scattered houses”*), not included in previous public intervention plans.

On the basis of the coverage plans declared by Open Fiber and private operators, 1.6 million street addresses that do not have access to at least 300 Mbit/s coverage, have been identified as subject of public funding for the completion of the *“Italia a 1 Giga”* by 2026.

The *“Italy at 1 Giga Plan”* was sent to the European Commission on November 8, 2021 and was approved on January 27, 2022.

On January 15, 2022, Infratel published the *“Italia a 1 Giga”* invitation for a tender procedure granting public funds for the financing of investment projects aimed at the construction of new electronic communications infrastructures and related access equipment capable of providing services with at least 1 Gbit/s in download and 200 Mbit/s in upload speed, with a deadline of March 31, 2022. The tender included 15 lots covering around 6.9 million citizens and the funding foreseen in the tender amounted to €3.68 billion. Each competitor was able to win up to eight lots. 70% of the expenses incurred will be paid from the public contribution, while remaining share of no less than 30% will be paid by the beneficiary of the public funds. The results of the tenders were published on May 24, 2022 and are as follows:

- a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop won the tenders relating to: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piemonte, Liguria and Val d'Aosta (lot 4), South Calabria (lot 5), North Calabria (lot 11) and Basilicata (lot 14) for approximately up to €1.6 billion; and
- Open Fiber won the tenders relating to: Puglia (lot 2), Tuscany (lot 6), Lazio (lot 7), Sicily (lot 8), Emilia-Romagna (lot 9) Campania (lot 10), Friuli Venezia Giulia-Veneto (lot 12) and Lombardia (lot 13) for approximately €1.8 billion.

The tender relating to Trento and Bolzano (lot 15) was resubmitted in April 2022 with a deadline of June 3, 2022 and was awarded to a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop on June 28, 2022 for approximately up to €65 million. On July 29, 2022, the relevant agreements were signed between Infratel and the operators that had been awarded the individual lots.

“Italia 5G” Plan

The “Italia 5G” is a €2.02 billion plan, that provides for 5G coverage with 150 Mbit/s download speed and at least 50 Mbit/s upload speed in the following areas:

- European 5G corridors: these corridors cover 2,645 km and the funds allocated under the plan amount to €420 million;
- extra-urban roads ready for 5G: these roads are extended on an area of approximately 10,000 km, with the plan funds of €600 million; and
- no 5G/4G areas: the funds allocated to this project amount to €1 billion.

To identify the areas to be financed, Infratel has mapped the 4G and 5G mobile coverage plans of private operators for the period from 2021 to 2026, including the sites' fiber backhauling connections. As a result of the mapping, the following were identified as subjects to the public intervention:

- 13,200 mobile radio sites, that include approximately 18,600 Radio Base Stations (“**SRBs**”), for the implementation of fiber backhauling; and
- 15% of the national territory primarily consisting of crucial land transport routes, such as roads and railways, for the implementation of 5G.

The results were subject to a public consultation opened until December 15, 2021. Following the results of the public consultation, to encourage the creation of infrastructures for the development of 5G networks without investments from the market, on March 21, 2022 Infratel published the following two tenders:

- fiber backhauling tender; and
- new 5G sites tender.

The European Commission approved the State aid measure, including the above tenders on April 25, 2022. The deadline for submitting the bids expired on May 9, 2022.

Fiber Backhauling Tender

The tender provides for incentives for the investments in the construction of fiber optic links of over 10,000 existing mobile radio sites, up to 90% of its costs. It is divided into six multi-regional lots with an investment incentive of approximately €949,1 million. On June 13, 2022, all lots were awarded to TIM for a total value of approximately €725 million, and the relevant agreements related to each lot were signed between Infratel and TIM on July 29, 2022.

New 5G Sites Tender

The second tender is related to the construction of new 5G mobile network infrastructures (fiber, infrastructure and electronic components) in more than 2400 areas. This would ensure a transmission at least 150 Mbit/s download and 30 Mbit/s upload speeds, to be financed up to 90% of the costs with the funds of approximately €974 million. The second tender is divided into six multi-regional lots, different from the lots included in the fiber backhauling tender. This tender was abandoned and was republished with changes on May 20, with a deadline for the bids set for June 10, 2022. The new invitation for the bids provides for funding of approximately €567 million and reduces a number of sites for 50%. On June 28, 2022, Infratel announced that all lots were awarded to INWIT forming a temporary joint venture with TIM and Vodafone for approximately up to €346 million. On July 29, 2022, the relevant agreements relating to the awarded lots were signed between Infratel and the group of companies led by INWIT.

“Connected Health” Plan

The “Connected Health” plan aims to provide connectivity with symmetrical speeds, starting from 1 Gbit/s to 10 Gbit/s to approximately 12,280 healthcare facilities throughout Italy. In order to implement the plan, on January 28, 2022 Infratel launched a tender for the supply of ultrabroadband connectivity services at the public health service facilities in Italy, including the supply and installation of the access network and management and maintenance services, expiring on April 11, 2022.

The invitation provides for an allocation of €387 million and is divided into eight territorial lots. Each bidder could be awarded up to four lots. The provisional results of the tenders awarding €314 million was announced on June 6, 2022. TIM won two of the eight lots comprising the regions of Lombardia, Emilia-Romagna, Marche and Umbria, and was awarded approximately €78 million. The relevant agreements related to these lots were signed between Infratel and TIM on September 20, 2022.

“Connected School” Plan

The “Connected School” plan aims to complete the 2020-2023 School Plan launched by the Italian Government on May 5, 2020, that provided for the supply of an ultrabroadband connection speed up to 1 Gbit/s with a minimum guaranteed speed of 100 Mbit/s. The plan captures 35,000 school buildings, comprising 78% of the total number of the school buildings in Italy. Particularly, these include kindergartens, primary schools, the first and second level secondary schools, including those located in the White Areas.

In order to implement the plan, between September and December 2020, Infratel carried out a public consultation and issued an invitation for tender with public funding of €274 million divided into seven lots. Each bidder could be awarded up to two lots. On February 26, 2021 Infratel announced the results of the tender awarding €271 million. TIM won two lots that include the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Puglia, that were awarded €84 million.

The new “Connected School” plan launched in 2022 aims to complete the public intervention by including the remaining 9,900 school buildings into the plan.

In order to implement this plan, on January 28, 2022 Infratel launched a new tender, with a total budget of over €184 million to be awarded for the supply of ultrabroadband internet connectivity services at schools in Italy, including the supply and installation of the access network and management and maintenance services. The tender was divided into eight territorial lots and the same operator could be awarded up to four lots. The provisional award of the tenders was announced on June 6, 2022 with approximately €166 million awarded. TIM won four lots comprising the regions of Piemonte, Liguria, Valle d’Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, winning over €99 million. The related relevant agreements were signed between Infratel and TIM on September 20, 2022.

“Smaller Islands” Plan

The “Smaller Islands” an approximately €60.5 million plan aims to provide an adequate connectivity to 18 smaller islands currently without fiber optic connections with the mainland. In particular, the islands will be equipped with an optical backhaul that will allow a development of an ultrabroadband connectivity. The optical backhaul will be accessible to all operators through Submarine Backhaul Access Points (“SBAP”) identified according to the criterion

of the shortest distance from the neutral delivery point (“NDP”), if present on the island, and from the landing point of the submarine cable.

The plan would be implemented through direct intervention models, with the new network financed and owned by the State and managed by one or more operators, chosen on the basis of a competitive, open, transparent and non-discriminatory process.

The tender to identify the economic operators to be entrusted with the design, supply and installation of submarine fiber optic cables for the construction of the “*Smaller Islands*” plan was launched on November 18, 2021 and ended on December 22, 2021. The tender was abandoned and resubmitted by Infratel on February 11, 2022 with certain modifications. The tender was awarded to Elettra TLC on April 28, 2022 for approximately €45 million.

New consultation on mapping backhauling networks 2023

On December 18, 2023 Infratel launched a new consultation, expiring on January 31, 2024, in order to update the mapping of the backhauling networks. The mapping has the objective of knowing whether the collection points of the fixed access network (on physical carrier or FWA radio) existing, or planned by 2026, have a backhaul network with sufficient capacity to transport the traffic offered by the network access capable of providing download connection speeds equal to or greater than 300 Mbit/s in the peak period for each household passed.

In the event of a market failure, i.e. if the capacity of the backhauling network, existing or planned, is deemed insufficient to cope with the expected development of the corresponding access networks based on the current and future needs of end users, further public intervention to support backhauling networks could be defined.

Spectrum

According to AGCOM’s Resolution 157/22/CONS, in July 2022 TIM paid approximately €9.68 million for the renewal of 2x112 MHz FDD spectrum rights of use in the 27.5 – 29. GHz band until the end of 2029.

Italian Golden Power Legislation and National Cyber Security Perimeter legislative framework

Under the Golden Power Legislation, the Italian Golden Power Authority may, among others, prohibit or impose undertakings on: (i) the acquisition of certain shareholdings in Strategic Companies, and (ii) resolutions, acts or transactions concerning a Strategic Company and resulting in a change in ownership, control, possession or intended use of such strategic assets or relationships, including, among others, any merger, de-merger, transfer of business/branch of business as going concern, and the enforcement and, according to a prudential interpretation, the granting or extension of pledges over the shares or assets of Strategic Companies. See “*Risk Factors—Risks related to the legislative and legal framework—The Italian Golden Power Authority has exercised, and may in the future exercise, its significant powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group’s ability to enter into strategic transactions.*”

The Company is required to notify the Italian Golden Power Authority of the transactions, resolutions or acts listed above. In the event of non-compliance with the obligations, specific penalties are provided, including administrative fines of up to twice the value of the transaction and in any case not less than 1% of the company’s turnover or the cumulative turnover of the companies involved in the transaction in the last financial year for which the financial statements were approved.

The regulatory framework on National Security was enriched by the creation, in 2019, of the National Cyber Security Perimeter (PSNC). The legislation is intended to ensure a high level of security of networks, information systems and IT services of public administrations, public and private entities and operators with an established office in the national territory, on which the exercise of an essential function of the State depends, i.e. the provision of an essential service for the maintenance of civil social or economic activities, fundamental to the interests of the State and whose malfunctioning, interruption, even partial, or improper use, may result in a prejudice to national security.

Failure to comply with the obligations may result in administrative fines of up to €1.8 million.

Antitrust

Antitrust Issues in Italy

NetCo is subject to Italian competition laws, particularly Law no. 287 dated October 10, 1990 (“*Provisions aiming at protecting competition and the market*”) that established the AGCM. AGCM’s primary responsibilities and powers include the following:

- application of (i) Law no. 287/1990, (ii) the relevant EU provisions, including Article 101 and Article 102 of the Treaty on the Functioning of the European Union (“**TFEU**”), when applicable, (iii) Legislative Decree No. 206/2005 concerning consumer protection and Legislative Decree No. 146/2007 concerning unfair commercial practices;
- supervision of the (i) practices and/or agreements that could be restrictive for the competition landscape, (ii) abuses of dominant positions and (iii) mergers and concentrations of enterprises; and
- monitoring conflicts of interest in the case of individuals holding government positions.

In addition, AGCM may adopt interim measures and make binding and enforce commitments upon the proposing parties in order to prevent identified competition concerns and violations.

Antitrust Issues at the European Level

NetCo is subject to the European competition framework. European competition regulation covers various matters, including anticompetitive agreements (Article 101 TFEU), abuse of dominance (Article 102 of TFEU), mergers with an EU dimension reaching certain turnover thresholds, and state aid (Article 107 of TFEU).

The European Commission is empowered by the TFEU to apply antitrust rules (Articles 101 and 102 TFEU) directly and for that purpose it holds a number of investigative powers, such as inspection at business and non-business premises and written requests for information. It may also impose fines on subjects and their undertakings infringing the EU antitrust rules. The main antitrust rules on procedures are set out in Council Regulation (EC) 1/2003.

Since May 1, 2004, all National Competition Authorities (in Italy, AGCM) have been empowered to fully apply EU antitrust rules by virtue of Articles 101 and 102 of the TFEU, in order to ensure that competition is not distorted or restricted. The national courts may also apply these provisions in order to protect the individual rights guaranteed to the EU citizens by TFEU.

As part of the overall enforcement of EU competition law, the European Commission has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. European Commission also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States’ judicial systems.

Furthermore, in the event of mergers, acquisitions or extraordinary transactions promoted by or involving TIM or part of its assets, the relevant transaction may be subject to *ex-ante* control by the European Commission, pursuant to Regulation (EC) 139/2004 on the control of concentrations between undertakings (the “**Merger Regulation**”). According to the Merger Regulation, a concentration with “Community dimension” (i.e. involving a turnover over the thresholds provided for by Article 1 of the Merger Regulation) shall be notified to the European Commission prior to its implementation. In case the concentration does not have a Community dimension, it may be subject to *ex-ante* control from AGCM, provided that the thresholds provided for by Article 16 of Italian Law No. 287 of October 10, 1990 are met. Upon analysis of the prospected transaction, the European Commission may: (i) declare the transaction compatible with the common market; (ii) impose on the parties certain conditions and obligations aimed at ensuring the transaction’s compatibility with the common market; or (iii) declare the transaction incompatible with the common market. Non-compliance with the obligations set out in the Merger Regulation may lead to fines up to 10% of the aggregate turnover of the infringing undertakings in case of, *inter alia*, failure to notify a transaction, breach of the standstill obligation, failure to comply with one or more of the conditions imposed, as well as in case of implementation of a transaction declared incompatible with the common market.

MANAGEMENT OF THE TIM GROUP

It is currently expected that on April 23, 2024, the shareholders' meeting of TIM will convene resolve, among others, on the appointment of the New Board and a new board of statutory auditors. Accordingly, the New Board may decide not to confirm certain members of the TIM Group's senior management. For further information, please see "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Any changes in the TIM Group's directorship and/or senior management could adversely affect the TIM Group's business.*"

Board of Directors of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of directors of TIM.

Name	Age	Position
Salvatore Rossi	74	Chairman
Pietro Labriola	56	Director, Chief Executive Officer and General Manager
Paolo Boccardelli ⁽¹⁾	52	Director
Paola Bonomo ⁽¹⁾	54	Director
Paola Camagni ⁽¹⁾	53	Director
Maurizio Carli ⁽¹⁾	65	Director
Cristiana Falcone ⁽¹⁾	50	Director
Federico Ferro Luzzi ⁽¹⁾	55	Director
Giulio Gallazzi ⁽¹⁾	59	Director
Giovanni Gorno Tempini	61	Director
Marella Moretti ⁽¹⁾	58	Director
Ilaria Romagnoli ⁽¹⁾	56	Director
Paola Sapienza ⁽¹⁾	58	Director
Massimo Sarmi	75	Director
Alessandro Pansa	72	Director

(1) Independent director.

Executive Officers of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve as key managers of TIM.

Name	Age	Position
Pietro Labriola	56	Chief Executive Officer and General Manager
Eugenio Santagata	50	Chief Public Affairs & Security Officer
Claudio Giovanni Ezio Ongaro	55	Chief Strategy & Business Development Officer
Adrian Calaza Noia	56	Chief Financial Officer
Paolo Chiriotti	53	Chief Human Resources & Organization Officer
Agostino Nuzzolo	55	Head of Legal & Tax
Giovanni Gionata Massimiliano Moglia	63	Chief Regulatory Affairs Officer
Simone De Rose	58	Head of Procurement
Elio Schiavo	60	Chief Enterprise & Innovative Solutions Officer
Andrea Rossini	53	Chief Consumer, Small & Medium Market Officer
Elisabetta Romano	60	Chief Network, Operations & Wholesale Officer
Alberto Mario Griselli	53	Director President of TIM S.A.

The Directors have their business address at TIM's legal seat at Via Gaetano Negri 1, 20123 Milan, Italy.

Board of Statutory Auditors of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of statutory auditors of TIM.

Name	Position

Francesco Fallacara ⁽¹⁾	Chairman
Angelo Rocco Bonisconi.....	Acting Auditor
Francesca di Donato.....	Acting Auditor
Anna Doro ⁽¹⁾	Acting Auditor
Massimo Gambini.....	Acting Auditor
Ilaria Antonella Belluco ⁽¹⁾	Alternate Auditor
Laura Fiordelisi ⁽¹⁾	Alternate Auditor
Franco Maurizio Lagro	Alternate Auditor
Paolo Prandi ⁽¹⁾	Alternate Auditor

(1) Elected by minority shareholders.

Board of Directors of TICAP

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of directors of TICAP.

Name	Age	Position
Paolo Barroero	58	Chairman
Fabio Adducchio	33	Director
Tom Loesch ⁽¹⁾	67	Director
Chiara Elena Maria Pizzamiglio	57	Director
Antonio Sica	59	Director
Karen Wauters ⁽¹⁾	62	Director

(1) Independent director.

Audit Committee of TICAP

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the Audit Committee of TICAP.

Name	Age	Position
Tom Loesch	67	Member
Chiara Elena Maria Pizzamiglio	57	Member
Karen Wauters	62	Member

MANAGEMENT OF THE OPTICS GROUP

[REDACTED]

PRINCIPAL SHAREHOLDERS OF THE TIM GROUP

TIM's principal shareholders are Vivendi and its subsidiaries (the "**Vivendi Group**") and Cassa Depositi e Prestiti S.p.A. and its subsidiaries (the "**CDP Group**"). As of December 31, 2023, on the basis of the results of TIM's shareholders' register, communications made to CONSOB and to TIM pursuant to Article 120 of the Italian Consolidated Financial Act, TIM's principal shareholders' shareholdings in the ordinary share capital of TIM is as follows:

	<u>Type of ownership</u>	<u>% of ordinary share capital (As of December 31, 2023)</u>
Vivendi Group	(direct)	23.75
CDP Group	(direct)	9.81

As of the date of this Exchange Offer Memorandum no further information about the shareholders' ownership is available.

PRINCIPAL SHAREHOLDERS OF OPTICS

[REDACTED]

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE TIM GROUP

In the ordinary course of the TIM Group's business, the TIM Group enters into various agreements and transactions with related parties. These agreements and transactions, when not dictated by specific laws, are carried out on arm's length terms, in compliance with the TIM Group's related-party transactions procedure, which sets forth rules designed to ensure the transparency and fairness of any transactions it enters into in accordance with CONSOB Regulation No. 17221/2010 of March 12, 2010, as subsequently amended and supplemented, concerning "*Related-Party Transactions*" (the "**CONSOB Regulation 17221/2010**").

The related-party transactions described in this section are those qualifying as transactions of 'greater importance,' for the purposes of CONSOB Regulation 17221/2010 and Article 7 of TIM Group's related-party transactions procedure, in the years ended December 31, 2023, 2022 and 2021. In accordance with CONSOB Regulation 17221/2010, no significant transactions were concluded in the years ended December 31, 2023, 2022 and 2021, that materially impacted the financial position or results of operations, or which had a significant effect on the financial position or performance, of the TIM Group.

For further information on the recent transactions described below and other related-party transactions, including the effect thereof and of transactions with subsidiaries, transactions with associated, subsidiaries of associates and joint ventures, transactions with other related parties and transactions with pension funds on the TIM Group's separate consolidated income statement, consolidated statement of financial position and consolidated statements of cash flows (as applicable), see Note 36 to the 2022 TIM Audited Consolidated Financial Statements, see Note 36 to the 2023 TIM Audited Consolidated Financial Statements each included elsewhere in this Exchange Offer Memorandum.

National Strategic Hub (Polo Strategico Nazionale)

On August 24, 2022, after an open tender procedure process, a newly incorporated project company established by the TIM Group, and of which TIM holds 45% of the share capital, together with Cassa Depositi e Prestiti (through its subsidiary CPD Equity), Leonardo and Sogeti, was awarded a public-private partnership contract with the Department of Digital Transformation of the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*), granting concessions for the design, preparation, fitting out and management of the National Strategic Hub's (*Polo Strategico Nazionale*) infrastructure for the provision of cloud services for the Italian national and local public administrations. Since the second half of 2021, with merely prudential approach, CPD Equity, as a subsidiary of Cassa Depositi e Prestiti (and a TIM's shareholder) has been included in the scope of related companies of the TIM Group. The exercise of pre-emption rights was approved by TIM Group's Board, with the favorable opinion of its related-party committee, in compliance with the TIM Group's related-party transactions procedure. A complete description of this transaction is publicly available in accordance with Article 5 of Consob Regulation 17221/2010 and in accordance with the TIM Group's related-party transactions procedure. For more information, see Note 40 to the 2023 TIM Audited Consolidated Financial Statements, included elsewhere in this Exchange Offer Memorandum.

Italtel S.p.A.

On April 1, 2022, TIM increased its stake in the share capital held by the TIM Group in Italtel S.p.A. to 17.72%. Italtel S.p.A. is also subject to the significant influence of TIM in accordance with IAS 28 (Investments in Associates and Joint Ventures). Therefore, starting April 1, 2022, Italtel S.p.A. is considered an associate and its subsidiaries are considered related parties of the TIM Group, in accordance with the TIM Group's related-party transactions procedure. For more information, see Note 40 to the 2023 TIM Audited Consolidated Financial Statements, included elsewhere in this Exchange Offer Memorandum.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE OPTICS GROUP

[REDACTED]

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE TIM GROUP

The following contains a summary of the terms of the TIM Group's key items of indebtedness as of December 31, 2023. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable. TIM Group Loans. For more information on events occurred after December 31, 2023, see "Summary—Recent Developments."

Revolving Credit Facility

On January 16, 2018, TIM, as borrower, entered into a revolving credit facility agreement with, inter alios, certain lenders party thereto (the "**2018 RCF Lenders**") (as amended, restated, supplemented or otherwise modified on May 13, 2021, and as further amended, restated, supplemented or otherwise modified from time to time, the "**RCF Agreement**").

On May 13, 2021, TIM entered into an amendment and restatement to the RCF Agreement with the 2018 RCF Lenders and certain additional revolving lenders, pursuant to which certain additional revolving lenders parties thereto agreed to participate in the Revolving Credit Facility (as defined below) and the 2018 RCF Lenders agreed to transfer their existing rights and obligations under the RCF Agreement, with such lenders thereby extending a euro-denominated tranche of revolving commitments in an aggregate principal amount of €4,000 million (the "**Revolving Credit Facility**"). As of December 31, 2023, the Revolving Credit Facility is fully undrawn. The RCF Agreement includes sustainability-linked provisions that allow the applicable margin to be adjusted upon the TIM Group achieving certain Annual Targets (as specified in the RCF Agreement). The RCF Agreement does not contain any financial covenants. The RCF Agreement contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control and in case of illegality). If an event of default occurs, the lenders under the Revolving Credit Facility will be entitled to take various actions, including the acceleration of amounts due under the Revolving Credit Facility.

The RCF Agreement contains certain negative covenants which, among other things and subject to certain significant exceptions and qualifications, limit TIM's ability to (i) create Encumbrances, (ii) materially change the nature of TIM's business and (iii) engage in mergers or consolidations with entities outside the TIM Group.

The obligations of TIM under the Revolving Credit Facility are unsecured and are not guaranteed by any member of the TIM Group.

Term Loans

As of December 31, 2023, TIM has entered into the following loan agreements (collectively, the "**Term Loan Agreements**") and the loans borrowed thereunder, collectively, the "**Term Loans**"):

- loan agreement, dated as of March 25, 2021, with Intesa Sanpaolo S.p.A., as lender, in an aggregate principal amount of €500 million (the "**Intesa Sanpaolo Loan Agreement**"). The loan matured and was fully repaid on March 25, 2024;
- loan agreement, dated as of October 12, 2021, with Banca Nazionale del Lavoro S.p.A., as lender, in an aggregate principal amount of €100 million and maturing on October 28, 2024 (the "**BNL Loan Agreement**");
- loan agreement, dated February 26, 2019, as amended by amendment dated May 21, 2021, with Bank of America Merrill Lynch Designated Activity Company, as lender, in an aggregate principal amount of €100 million and maturing on May 21, 2025 (the "**Bank of America Merrill Lynch Loan Agreement**" and, together with the Intesa Sanpaolo Loan Agreement and the BNL Loan Agreement, the "**Bilateral Loan Agreements**"); and
- a euro-denominated facility agreement, dated as of July 6, 2022, and backed by a guarantee of SACE S.p.A., in accordance with Article 1, subsection 1 of Decree-Law No. 23 of April 8, 2020, as subsequently amended and supplemented from time to time (the "**SACE Guarantee**"), which in turn is backed by a counter-

guarantee by the Republic of Italy – and is deemed as a public support intervention for the development of production activities within the scope of Legislative Decree No. 123 dated March 31, 1998 (*Provisions for the rationalization of public support interventions for companies pursuant to Article 4, paragraph 4, letter c, of Law No. 59 dated March 15, 1997*) – (as amended, restated, supplemented or otherwise modified from time to time the “**Facility Agreement Guaranteed by SACE**”) providing for a term loan facility in an aggregate principal amount of €2,000 million maturing on June 30, 2028 and on which TIM is required to make scheduled quarterly amortization payments as per the Amortization Plan (as set out in the Facility Agreement Guaranteed by SACE), each equal to 8.33% of the term loan principal amount, starting from September 30, 2025.

The Term Loan Agreements contain certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control and in case of borrower illegality). Identification of the occurrence of a change of control and the applicable consequences, including, at the discretion of the lenders, 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 Term Loan Agreements.

The Term Loan Agreements contain certain negative covenants which, among other things and subject to certain significant exceptions and qualifications, limit TIM’s ability to (i) create encumbrances, (ii) materially change the nature of TIM’s business and, (iii) engage in mergers or consolidations with entities outside TIM Group.

The Bilateral Loan Agreements do not contain any financial covenants. The Facility Agreement Guaranteed by SACE includes a financial maintenance covenant based on the TIM Group’s Leverage Ratio (as defined in the Facility Agreement Guaranteed by SACE).

As of December 31, 2023, the Term Loans have been drawn in full.

EIB Loans

From time to time, TIM receives term loans from the European Investment Bank (“**EIB**”) for financing specific infrastructure development projects. As of December 31, 2023, TIM had outstanding borrowings under:

- a loan agreement dated as of November 25, 2019 in an aggregate principal amount of €350 million (the “**2019 EIB Loan**”), as increased pursuant to an incremental loan agreement dated as of May 19, 2021, in an additional aggregate principal amount of €120 million (the “**2021 Incremental EIB Loan**”);
- a loan agreement dated as of May 19, 2021, in an aggregate principal amount of €230 million (the “**2021 EIB Loan**”); and
- a loan agreement dated as of May 5, 2023, in an aggregate principal amount of €360 million, which is backed by a 60% SACE Guarantee (the “**2023 EIB Loan**” and, together with the 2019 EIB Loan, the 2021 Incremental EIB Loan and the 2021 EIB Loan, the “**EIB Loans**”).

The 2019 EIB Loan, the 2021 Incremental EIB Loan and the 2021 EIB Loan are partially secured.

As of December 31, 2023, each of the EIB Loans has been fully drawn.

The EIB Loans contain customary mandatory redemption events, such as change of laws or illegality, and certain market standard covenants each subject to certain significant exceptions and qualifications, including the undertaking not to pledge TIM’s assets as collateral for loans (negative pledge), the undertaking not to change TIM’s business purpose and customary information undertakings. Additionally, the EIB Loans also contain, among others, the following covenants, undertakings and mandatory redemption events:

- In the event of any change of control (as defined under the EIB Loans) EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans. TIM has undertaken to inform EIB of any change of control that is due to occur;

- TIM has undertaken to notify EIB of any merger or de-merger transactions (except for transactions among the members of the TIM Group). Following consultations with TIM, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans, if such transaction is deemed to be prejudicial to EIB's credit position or to the Projects; and
- Subject to certain exceptions provided under the EIB Loans, TIM has undertaken not to sell, transfer or confer assets or business segments.
- TIM has undertaken to ensure that, for the entire duration of the EIB Loans, the total financial debt of TIM Group (excluding TIM), unless the debt is fully and irrevocably guaranteed by TIM, is lower than 35% of the TIM Group's total financial debt; and
- “*Inclusion clause*,” under which, subject to certain exceptions relating to subsidized loans (*finanziamenti agevolati*) as defined under the EIB Loans, TIM has agreed that if it is required to comply with financial covenants pursuant to other facilities agreement that are not present or are more restrictive and/or favorable than those granted to EIB, EIB will have the right, if it considers such covenants prejudicial, to (i) request the provision of additional guarantees, (ii) agree additional amendments to the EIB Loans to incorporate such covenant into the EIB Loans or (iii) agree to any alternative solution.
- *Network event*: in the event of the disposal of the entire fixed network or a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the TIM Group, or in the event of disposal of the controlling interest in the company in which the fixed network or a substantial part of it has previously been transferred, TIM has undertaken to immediately notify EIB, which, following consultations with TIM, may then opt to demand additional guarantees or amendments to the EIB Loans or to agree to an alternative solution. If such requests are not satisfied within 30 days, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans.

FiberCop Term Loan

On December 23, 2021, FiberCop, as borrower, entered into a euro-denominated facility agreement with, *inter alios*, certain lenders party thereto and UniCredit S.p.A., as agent, (the “**FiberCop Term Loan Agreement**”) providing for a term loan facility in an aggregate principal amount of €1,500 million (the “**FiberCop Term Loan**”). As of the date of this Exchange Offer Memorandum, the FiberCop Term Loan has been drawn in full.

The FiberCop Term Loan will mature five years after December 23, 2021. FiberCop is required to repay the FiberCop Term Loan in full on maturity.

The FiberCop Term Loan is not supported by guarantees and the obligations of FiberCop under the FiberCop Term Loan Agreement are unsecured, ranking *pari passu* with the claims of all its unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

The FiberCop Term Loan Agreement includes a financial maintenance covenant based on FiberCop's Leverage Ratio (as defined in the FiberCop Term Loan Agreement). The FiberCop Term Loan Agreement contains certain customary representations and warranties, affirmative covenants, certain negative covenants, events of default and mandatory prepayment events, such as change of control and sale of assets (each as defined in the FiberCop Term Loan Agreement). If an event of default occurs, the lenders under the FiberCop Term Loan will be entitled to take various actions, including the acceleration of amounts due under the FiberCop Term Loan.

In connection with FiberCop Term Loan, FiberCop is in the process of submitting a waiver request to the agent to obtain the lenders' consent to waive any actual or potential breach of any clause of the FiberCop Term Loan, or any event of default or mandatory early redemption provisions set out thereunder, that would otherwise arise as a result of the completion of the Acquisition and to undertake not to exercise any rights and remedies they may have under the FiberCop Term Loan on completion of the Acquisition, and waive the provisions in terms of mandatory early redemption under the FiberCop Term Loan that might arise as a result of the completion of the Acquisition, with the effect that any amount under the FiberCop Term Loan that would immediately be payable by FiberCop under the FiberCop Term Loan will not automatically become due and payable on the closing of the Acquisition, *provided* that FiberCop will repay any such amounts due in full, together with any accrued interest, within 60 days of the Acquisition

Closing Date. In the event that the waiver request is not granted, it is understood that Optics will repay the loan promptly in connection with the completion of the Acquisition. Any necessary funds to proceed with such repayment are expected to be made available to FiberCop by Optics on the basis of drawings to be made under the Senior Facilities Agreement and Senior Bridge Facility Agreement.

TIM S.A. Loans

As of December 31, 2023, TIM S.A. has entered into the following loan agreements (together, the “**TIM S.A. Loan Agreements**” and the loans borrowed thereunder, collectively, the “**TIM S.A. Loans**”):

- loan agreement, dated as of December 23, 2015, between Finnish Export Credit as lender, KfW IPEX as facility agent, TIM Celular (which has been merged into TIM S.A.) as borrower and TIM Participações S.A. (which has also been merged into TIM S.A.) as guarantor, in an aggregate principal amount of \$150 million (the “**Finnish Export Credit Loan Agreement**”). After the merge of TIM Celular and TIM Participações S.A. into TIM S.A., the loan agreement has only TIM S.A. as borrower and no guarantor. The loan agreement is divided in three tranches of up to \$50 million to be disbursed in 2016, 2017 and 2018. On April 20, 2016, the first tranche of \$45 million was disbursed. The second tranche of \$48 million was disbursed on April 20, 2017 and the third tranche of \$40 million was disbursed on September 17, 2018. As of December 31, 2023, the total outstanding amount under this credit agreement, converted from U.S. dollars and including accrued interest, was BRL 125 million and there will be no more disbursements. The agreements mature on January 2, 2024, December 31, 2024 and December 30, 2025, respectively;
- credit agreement, dated as of May 2, 2018, between Banco Nacional de Desenvolvimento Econômico e Social (“**BNDES**”) as lender and TIM Celular (which has been merged into TIM S.A.) as borrower, an aggregate principal amount of BRL 1,500 million, comprising three credit lines with equal conditions of interest rates and tenors: (a) Credit Line A, in an aggregate principal amount of BRL 1,090 million and eight years tenor; (b) Credit Line B, in an aggregate principal amount of BRL 390 million and eight years tenor; and (c) Credit Line C, in an aggregate principal amount of BRL 20 million and eight years tenor (the “**BNDES Loan Agreement**”). On November 4, 2022, TIM S.A. drew down a total amount of BRL 311.4 million under the BNDES Credit Line A and BRL 7.8 million under the BNDES Credit Line C. In March 2019, the Credit Line B, was substituted by a new credit agreement with different conditions with Agência Especial de Financiamento Industrial S.A. (“**FINAME**”) (listed below). As of December 31, 2023, the total amount under this credit agreement was BRL 188 million;
- credit agreement, dated as of March 20, 2019, between FINAME, an entity within the BNDES system, as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 390 million (the “**FINAME Loan Agreement**”). TIM S.A. has drawdown a total amount of BRL 390 million under the credit line. This agreement replaces the Credit Line B of the BNDES Loan Agreement with better interest rate and maturity conditions and has a maturity up to 10 years. There were no additional costs to sign this loan and was fully disbursed in November 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 392 million;
- credit agreement, dated as of January 31, 2020, between Banco do Nordeste do Brasil S.A. as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 752.5 million, that is secured by a bank guarantee and certain receivables (the “**BNB Loan Agreement**”). The credit agreement has a total term of eight years, with three years of grace period and five years of amortization period and is divided in two tranches of BRL 325 million and BRL 427 million, respectively. On May 10, 2022, TIM S.A. drew down a total amount of BRL 249 million under this credit line. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 206 million;
- credit agreement, dated as of April 1, 2021, between BNP Paribas as lender and TIM S.A. as borrower, in an aggregate principal amount of \$87.7 million and term of 2.8 years. (the “**BNP Loan Agreement**”). Disbursement occurred on April 8, 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 515 million; and
- credit agreement, dated as of April 1, 2021, between The Bank of Nova Scotia as lender and TIM S.A. as borrower, in an aggregate principal amount of \$100 million and term of three years (the “**2021 BNS Loan**”).

Agreement^{*)}. Disbursement occurred on April 22, 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 486 million.

TIM Group Bonds

The following table lists the outstanding bonds issued by the TIM Group as of December 31, 2023:

Currency	Total	Nominal repayment Amount (millions in euros) ⁽¹⁾	Coupon	Issue date	Maturity Date	Issue Price (%)
Bonds issued by TIM						
Euro ^{*(6)}	450 ⁽²⁾	450 ⁽²⁾	3.625%	January 20, 2016	January 19, 2024	99.632
Euro ^{*(7)}	950 ⁽³⁾	950 ⁽³⁾	4.000%	January 11, 2019	April 11, 2024	99.436
USD.....	1,500	1,357	5.303%	May 30, 2014	May 30, 2024	100.00
Euro [*]	1,000	1,000	2.750%	April 15, 2019	April 15, 2025	99.320
Euro [*]	1,000	1,000	3.000%	September 30, 2016	September 30, 2025	99.806
Euro ^{*(5)}	750	750	2.875%	June 28, 2018	January 28, 2026	100.00
Euro ^{*(5)}	1,000	1,000	3.625%	May 25, 2016	May 25, 2026	100.00
Euro ^{*(5)}	1,250	1,250	2.375%	October 12, 2017	October 12, 2027	99.185
				January 27, 2023; April 12, 2023		
Euro ^{#(5)}	1,250	1,250	6.875%	(Tap) July 20, 2023; September 28, 2023	February 15, 2028	100; 100.750
Euro ^{#(5)}	1,500	1,500	7.875%	(Tap)	July 31, 2028	99.996; 102
Euro ^{*(5)}	1,000	1,000	1.625%	January 18, 2021	January 18, 2029	99.074
Euro ^{*(5)}	670	670	5.250%	March 17, 2005	March 17, 2055	99.667
Subtotal.....	—	12,177				
Bonds issued by TIF and guaranteed by TIM						
Euro ⁽⁴⁾⁽⁵⁾	1,015	1,015	7.750%	January 24, 2003	January 24, 2033	109.646 ⁽⁵⁾
Subtotal.....	—	1,015				
Bonds issued by TICAP and guaranteed by TIM						
USD ⁽⁵⁾	1,000	905	6.375%	October 29, 2003	November 15, 2033	99.558
USD ⁽⁵⁾	1,000	905	6.000%	October 6, 2004	September 30, 2034	99.081
USD ⁽⁵⁾	1,000	905	7.200%	July 18, 2006	July 18, 2036	99.440
USD ⁽⁵⁾	1,000	905	7.721%	June 4, 2008	June 4, 2038	100.00
Subtotal.....	—	3,620				
Bonds issued by TIM S.A.						
			IPCA+4.1			
BRL.....	1,600	299	68%	June 15, 2021	June 15, 2028	100.00
Subtotal.....	—	299				
Bonds issued by TIM Brasil Serviços e Participações S.A.						
			CDI			
BRL.....	5,000	935	+2.30%	July 25, 2023	July 25, 2028	100.00
Subtotal.....	—	935				
Total.....	—	18,046				

* Notes issued under the EMTN Programme.

Includes €850 million aggregate principal amount of EUR Original Initial February 2028 Notes (as defined below) issued on January 27, 2023 and €400 million aggregate principal amount of EUR Original Additional February 2028 Notes (as defined below) issued on April 12, 2023.

(#) Includes €750 million aggregate principal amount of EUR Original Initial July 2028 Notes (as defined below) issued on July 20, 2023 and €750 million aggregate principal amount of EUR Original Additional July 2028 Notes (as defined below) issued on September 28, 2023.

(1) The exchange rate used for the translation of BRL into Euros (expressed in terms of units of BRL per €1) is 5.34964; the exchange rate used for the translation of U.S. Dollar into Euro (expressed in terms of units of U.S. Dollars per €1) is 1.1050.

(2) Initial amount €750,000,000 repurchased for €300,000,000 on July 20, 2023.

(3) Initial amount €1,250,000,000 repurchased for €300,014,000.00 on July 20, 2023.

(4) Weighted average issue price for bonds issued with multiple tranches.

- (5) Original Notes which will be offered as part of the Exchange Offers.
- (6) Repaid in full at maturity on January 19, 2024.
- (7) Repaid in full at maturity on April 11, 2024.

The notes issued by TIM, Telecom Italia Finance and Telecom Italia Capital do not contain any financial covenants or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group. Furthermore, the repayment of the notes and the payment of interest thereon are not covered by any specific guarantees nor are there commitments provided relating to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM for the bonds issued by Telecom Italia Finance and Telecom Italia Capital, as further detailed below.

TIM Bonds

Existing Notes

On May 30, 2014, TIM issued \$1,500 million aggregate principal amount of 5.303% senior notes due 2024 (the “**2024 Dollar Notes**”). The 2024 Dollar Notes mature on May 30, 2024. Interest on the 2024 Dollar Notes is payable semi-annually in cash on each May 30, and November 30, commencing November 30, 2014. The 2024 Dollar Notes are listed on the Irish Stock Exchange.

On January 27, 2023, TIM issued €850 million aggregate principal amount of 6.875% senior notes due on February 2028 (the “**EUR Original Initial February 2028 Notes**”). On April 12, 2023, TIM issued €400 million aggregate principal amount of additional senior notes to be consolidated and form a single series with the Original February 2028 Euro Notes (the “**EUR Original Additional February 2028 Notes**,” together with the Original February 2028 Euro Notes, the “**EUR Original February 2028 Notes**”). The 2028 February Euro Notes mature on February 15, 2028. Interest on the 2028 February Euro Notes is payable semi-annually on each February 15, and August 15, commencing August 15, 2023. The 2028 February Euro Notes are listed on the Exchange.

On July 20, 2023, TIM issued €750 million aggregate principal amount of 7.875% notes due on July 2028 (the “**EUR Original Initial July 2028 Notes**”). On September 28, 2023, TIM issued €750 million aggregate principal amount of additional senior notes to be consolidated and form a single series with the Original July 2028 Euro Notes (the “**EUR Original Additional July 2028 Notes**,” together with the Original July 2028 Euro Notes, the “**EUR Original July 2028 Notes**” and, together with the 2024 Dollar Notes, the EUR Original February 2028 Notes, the “**Existing Notes**”). The EUR Original July 2028 Notes will mature on July 31, 2028. Interest on the EUR Original July 2028 Notes is payable semi-annually on each January 31, and July 31, commencing January 31, 2024. The EUR Original July 2028 Notes are listed on the Exchange.

The indenture governing the 2024 Dollar Notes and the trust deeds governing the EUR Original February 2028 Notes and the EUR Original July 2028 Notes contain certain covenants, agreements and events of default, including limitations on the ability of TIM to (i) create liens; and (ii) engage in mergers or consolidations, in each case subject to certain exceptions.

The Existing Notes: are general unsecured obligations of TIM; (b) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (c) are senior in right of payment to all future subordinated indebtedness of TIM; (d) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (c) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM. The covenants of the Existing Notes are substantially consistent with the covenants applicable to the Notes, as further described in “*Conditions of the Notes*” included elsewhere in this Exchange Offer Memorandum.

The terms and conditions of the Existing Notes contain a provision restricting the ability of TIM to create security interests in respect of certain indebtedness and to guarantee certain secured indebtedness of its subsidiaries, as further described in condition 3.1 (*Covenants—Restrictions on Security Interests*) of the terms and conditions of the notes of the EUR Original February 2028 Notes and of the EUR Original July 2028 Notes.

The terms and conditions of the Existing Notes also contain provisions relating to certain events constituting a “Change of Control” or a “Network Event” in relation to TIM. Upon the occurrence of an event constituting a Change of Control

or a Network Event (each as defined in Condition 6.5 (Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event) of the terms and conditions of the EUR Original February 2028 Notes and of the EUR Original July 2028 Notes), each holder of the Existing Notes shall have the option to require TIM to redeem (or, at TIM's option, to purchase) the Existing Notes held by it (in whole but not in part) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

EMTN Programme

The TIM Group has established several Euro Medium Term Note Programmes, supplemented by supplements over the years, (as renewed from time to time, the “**EMTN Programme**”) including, among others:

- prospectus dated February 17, 2005 (the “**2005 Long-Term Prospectus**”);
- prospectus dated June 30, 2015, as supplemented by the supplement dated January 4, 2016 and May 17, 2016, (collectively, the “**2015 Prospectus**”);
- prospectus dated July 8, 2016, as supplemented by the supplements dated July 8, 2016, September 12, 2016 and January 4, 2017, (collectively, the “**2016 Prospectus**”);
- prospectus dated July 13, 2016 as supplemented by the supplement dated October 4, 2017, (collectively, the “**2017 Prospectus**”);
- prospectus dated June 8, 2018, as supplemented by the supplements dated October 5, 2018, December 10, 2018, January 4, 2019 and April 4, 2019, (collectively, the “**2018 Prospectus**”); and
- prospectus dated June 18, 2020, as supplemented by the supplements dated September 15, 2020 and January 8, 2021, (collectively, the “**2020 Prospectus**”), (collectively, the “**Prospectuses**”).

TIM issues notes under the EMTN Programme from time to time, as described below (the “**EMTNs**”). The EMTN Programme permits issuance of notes in any currency.

The EMTNs: (a) are general unsecured obligations of the Issuer; (ii) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (iii) are senior in right of payment to all future subordinated indebtedness of the Issuer; (iv) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM.

The Prospectuses also contains certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on the ability of TIM to: (i) create or permit to subsist Security Interest, other than Permitted Encumbrances, or secure Capital Market Indebtedness (each, as defined in the respective Prospectuses); (ii) sell or lease all or substantially all of its assets; (iii) buy or lease all or substantially all of the assets of another company; (iii) engage in mergers or consolidations, in each case subject to certain exceptions. The EMTNs are governed by the laws of England and Wales.

2024 3.625% Euro Notes

On January 20, 2016, TIM issued €750 million aggregate principal amount of notes under the 2015 Prospectus, at an issue price of 99.632% (the “**2024 3.625% Euro Notes**”). The 2024 3.625% Euro Notes matured and were redeemed in full on January 19, 2024. Interest on the 2024 3.625% Euro Notes was payable annually on January 19, commencing January 19, 2017. The 2024 3.625% Euro Notes were listed on the Exchange.

On July 20, 2023, TIM repurchased for cash €300 million of the 2024 3.625% Euro Notes in accordance with the terms and conditions of the tender offer memorandum, dated July 11, 2023.

2024 4% Euro Notes

On January 11, 2019, TIM issued €1,250 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 99.436% (the “**2024 4% Euro Notes**”). The 2024 4% Euro Notes matured and have been repaid on April 11, 2024. Interest on the 2024 4% Euro Notes is payable annually on April 11, commencing April 11, 2019. The 2024 4% Euro Notes are listed on the Exchange.

On July 20, 2023, TIM repurchased for cash €300.014 million of the 2024 4% Euro Notes in accordance with the terms and conditions of the tender offer memorandum, dated July 11, 2023.

2025 2.75% Euro Notes

On April 15, 2019, TIM issued €1,000 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 99.320% (the “**2025 2.75% Euro Notes**”). The 2025 2.75% Euro Notes will mature on April 15, 2025. Interest on the 2025 2.75% Euro Notes is payable annually on April 15, commencing April 15, 2020. The 2025 2.75% Euro Notes are listed on the Exchange.

2025 3% Euro Notes

On September 30, 2016, TIM issued €1,000 million aggregate principal amount of notes under the 2016 Prospectus, at an issue price of 99.806% (the “**2025 3% Euro Notes**”). The 2025 3.000% Euro Notes will mature on September 30, 2025. Interest on the 2025 3% Euro Notes is payable annually on September 30, commencing September 30, 2017. The 2025 3% Euro Notes are listed on the Exchange.

2026 2.875% Euro Notes

On June 28, 2018, TIM issued €750 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 100% (the “**2026 2.875% Euro Notes**”). The 2026 2.875% Euro Notes will mature on January 28, 2026. Interest on the 2026 2.875% Euro Notes is payable annually on January 28, commencing January 28, 2019. The 2026 2.875% Euro Notes are listed on the Exchange.

2026 3.625% Euro Notes

On May 25, 2016, TIM issued €1,000 million aggregate principal amount of notes under the 2015 Prospectus, at an issue price of 100% (the “**2026 3.625% Euro Notes**”). The 2026 3.625% Euro Notes will mature on May 25, 2026. Interest on the 2026 3.625% Euro Notes is payable annually on May 25, commencing May 25, 2017. The 2026 3.625% Euro Notes are listed on the Exchange.

2027 Euro Notes

On October 12, 2017, TIM issued €1,250 million aggregate principal amount of notes under the 2017 Prospectus, at an issue price of 99.185% (the “**2027 Euro Notes**”). The 2027 Euro Notes will mature on October 12, 2027. Interest on the 2027 Euro Notes is payable annually on October 12, commencing October 12, 2018. The 2027 Euro Notes are listed on the Exchange.

2029 Euro Notes

On January 18, 2021, TIM issued €1,000 million aggregate principal amount of notes under the 2020 Prospectus, at an issue price of 99.074% (the “**2029 Euro Notes**”). The 2029 Euro Notes will mature on January 18, 2029. Interest on the 2029 Euro Notes is payable annually on January 18, commencing January 18, 2022. These 2029 Euro Notes are listed on the Exchange. The net proceeds from the issue of the 2029 Euro Notes were committed to be used to finance or refinance, in whole or in part, existing or new eligible green and social projects in accordance with TIM Group Sustainability Financing Framework.

2055 Euro Notes

On March 17, 2005, TIM issued €850 million aggregate principal amount of notes under the 2005 Long-Term Prospectus, at an issue price of 99.667% (the “**2055 Euro Notes**”). The 2055 Euro Notes will mature on March 17,

2055. Interest on the 2055 Euro Notes is payable annually on March 17. The 2055 Euro Notes are listed on the Exchange.

TICAP Bonds

As of December 31, 2023, the outstanding notes issued by Telecom Italia Capital and guaranteed by TIM comprise: (a) \$1,000 million aggregate principal amount of 6.375% senior guaranteed notes due 2033 (the “**2033 TICAP Bonds**”); (b) \$1,000 million aggregate principal amount of 6.000% senior guaranteed notes due 2034 (the “**2034 TICAP Bonds**”); (c) \$1,000 million aggregate principal amount of 7.200% senior guaranteed notes due 2036 (the “**2036 TICAP Bonds**”); and (d) \$1,000 million aggregate principal amount of 7.721% senior guaranteed notes due 2038 (the “**2038 TICAP Bonds**”). The 2033 TICAP Bonds, 2034 TICAP Bonds, 2036 TICAP Bonds and the 2038 TICAP Bonds are collectively referred to herein as the “**TICAP Bonds**.”

The TICAP Bonds are senior unsecured obligations of Telecom Italia Capital and are guaranteed on a senior basis by TIM.

The indentures governing the TICAP Bonds contain certain covenants, agreements and events of default, including limitations on the ability of TIM and Telecom Italia Capital to (i) create encumbrances; and (ii) engage in mergers or consolidations, in each case subject to certain exceptions. The TICAP Bonds are governed by the laws of the State of New York.

TIF Bonds

As of December 31, 2023, the outstanding notes issued by Telecom Italia Finance and guaranteed by TIM comprise of \$1,015 million aggregate principal amount of 7.750% senior guaranteed notes due 2033 (the “**TIF Bonds**”). The TIF Bonds were issued from time to time under: (i) Euro Medium Term Note Programme established under prospectus dated February 17, 2005, as supplemented by supplement dated June 28, 2005 (collectively the “**2005 TIF Prospectus**”); and (ii) Euro Medium Term Note Programme established under offering circular dated May 14, 2002 (which had replaced offering circular dated June 8, 2001), as supplemented by supplements dated January 23, 2003 and January 31, 2003 issued by Olivetti S.p.A., Olivetti Finance N.V. and Olivetti International Finance N.V. (collectively, the “**Olivetti Prospectus**”). Telecom Italia Finance had assumed the liabilities of Olivetti Finance N.V. and Olivetti International Finance N.V. pursuant to corporate reorganization in 2004.

The TIF Bonds are senior unsecured obligations of Telecom Italia Finance and are guaranteed on a senior basis by TIM.

The 2005 TIF Prospectus governing the TIF Bonds contain certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on the ability of TIM and Telecom Italia Finance to (i) create or permit to subsist Security Interest, other than Permitted Encumbrances, or secure Capital Market Indebtedness (each, as defined in the 2005 TIF Prospectus); (ii) sell or lease all or substantially all of its assets; (iii) buy or lease all or substantially all of the assets of another company; and (iii) engage in mergers or consolidations, in each case subject to certain exceptions. The Olivetti Prospectus governing the TIF Bonds contain certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on the ability of TIM and Telecom Italia Finance to create or permit to subsist Security Interest (as defined in the Olivetti Prospectus). The TIF Bonds are governed by the laws of England and Wales.

TIM S.A. Bond

On June 15, 2021, TIM S.A. issued sustainability-linked simple and unsubordinated, not convertible into shares, debentures (*Instrumento Particular de Escritura de Emissão de Debêntures Simples, da Espécie Quirografária, não Conversíveis em Ações*) in an aggregate principal amount of BRL 1,600 million through a public placement, with Pentágono Distribuidora de Títulos e Valores Mobiliários S.A., acting as the fiduciary agent (the “**TIM S.A Bonds**”). The TIM S.A. Bonds will mature on June 16, 2028.

The indenture governing the TIM S.A. Bonds includes certain ESG commitments by TIM S.A., including: (i) TIM S.A. establishing a 4G presence in 100% of Brazilian municipalities by December 2023; and (ii) TIM S.A. increasing by 80% or more the eco-efficiency in data traffic (bit/joule) by December 2025, compared to the base year of 2019.

TIM Brasil Serviços e Participações S.A Bond

On July 25, 2023, TIM Brasil Serviços e Participações S.A. issued simple and unsubordinated debentures, not convertible into shares, (*Instrumento Particular de Escritura de Emissão de Debêntures Simples, da Espécie Quirografária, não Conversíveis em Ações, com garantia real*) in an aggregate principal amount of BRL 5,000 million through a public placement, with Pentágono Distribuidora de Títulos e Valores Mobiliários S.A., acting as the fiduciary agent (the “**TIM Brasil Serviços e Participações S.A. Bond**”). The TIM Brasil Serviços e Participações S.A. Bonds will mature on July 25, 2028. The debentures are non-convertible and unsubordinated.

Exchange Rate Risk Hedging

As of December 31, 2023, the exchange rate risk of the Existing Notes, EMTNs, TICAP Bonds and TIF Bonds denominated in currencies other than Euro was hedged in full by the TIM Group. Details of the hedges are indicated in the table below:

Denomination Currency	Nominal Amount in Denomination Currency	End of Period	Rate Applied	Interest Period	Hedging of Notional Amount in euro (million)	Hedging of rate in euro
USD	1,500	May-2024	5.303%	Semi-annual	1,321	4.180%
USD	1,000	Nov-2033	6.375%	Semi-annual	849	5.994%
USD	1,000	Sep-2034	6.000%	Semi-annual	794	4.332%
USD	1,000	Jul-2036	7.200%	Semi-annual	791	5.884%
USD	1,000	Jun-2038	7.721%	Semi-annual	645	7.451%

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE OPTICS GROUP

The following contains a summary of the terms of the Optics' Group key items of indebtedness and is presented, unless otherwise indicated, as of the date hereof. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section or in this Exchange Offer Memorandum shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Senior Facilities Agreement and Bridge Facility Agreement

Overview

On December 19, 2023, Optics Bidco S.p.A. (the “**Company**”) entered into a senior secured term and revolving facilities agreement between, among others, Banco BPM S.p.A., Bank of America Europe Designated Activity Company, Banco Bilbao Vizcaya Argentaria S.A., Milan Branch, BNP Paribas, Italian Branch, BPER Banca S.p.A., Caixabank, S.A., Succursale in Italia, CIBC Capital Markets (Europe) S.A., Citibank, N.A. London Branch, Crédit Agricole Corporate and Investment Bank, Milan Branch, Deutsche Bank Aktiengesellschaft, Deutsche Bank Luxembourg S.A., J.P. Morgan SE, Mediobanca – Banca di Credito Finanziario S.p.A., Mizuho Bank, Ltd., Morgan Stanley Bank AG, MUFG Bank, Ltd. - Milano Branch, National Westminster Bank Plc, Natixis S.A. – Milan Branch, SMBC Bank EU AG Milan Branch, Société Générale and UniCredit S.p.A. as mandated lead arrangers and UniCredit S.p.A. as facility agent and security agent (the “**Facility Agent**” and “**Security Agent**”) (as amended pursuant to an amendment and restatement agreement dated April 8, 2024, the “**Senior Facilities Agreement**”).

Also on December 19, 2023, the Company entered into a senior bridge facility agreement between, among others, Banco BPM S.p.A., BNP Paribas, Italian Branch, BPER Banca S.p.A., Crédit Agricole Corporate and Investment Bank, Milan Branch, J.P. Morgan SE, Mizuho Bank, Ltd., MUFG Bank, Ltd. - Milano Branch, Natixis S.A. – Milan Branch, SMBC Bank EU AG Milan Branch, Société Générale and UniCredit S.p.A. as mandated lead arrangers, the Facility Agent and the Security Agent (as amended pursuant to an amendment and restatement agreement dated April 8, 2024, the “**Senior Bridge Facility Agreement**”).

The Senior Facilities Agreement provides a euro term loan facility (the “**TLB**”) to the Company as original borrower (the “**Borrower**”) and a revolving facility (the “**RCF**,” and together with the TLB, the “**Credit Facilities**” or the “**Facilities**”) to the Company as Borrower and original guarantor. The Senior Bridge Facility Agreement provides a euro term loan facility (the “**Bridge**”) to the Company as Borrower and original guarantor. The total commitments under the TLB and the Bridge are equal in aggregate to €8.5 billion (which, as at the signing date of the Senior Facilities Agreement and the Senior Bridge Facility Agreement, comprised of €5 billion under the TLB and €3.5 billion under the Bridge). The total commitments under the RCF are equal to €2 billion. The Senior Facilities Agreement and the Senior Bridge Facility Agreement contain the ability for the Company (prior to the Push-Down Merger and, following the Push-Down Merger, any member of the Group) to incur indebtedness (which may be in the form of loans, bonds or notes) for the purpose of directly or indirectly, or otherwise in connection with or pursuant to, refinancing or replacing of all or any portion of the TLB, the Bridge, the RCF, any additional facility incurred under the Senior Facilities Agreement and/or any other permitted refinancing from time to time, in each case, including any indebtedness incurred for the purpose of the payment of principal, interest, fees, discounts, expenses, commissions, swap breakage costs, premium or other similar amounts payable under or in connection with the permitted refinancing and any amount of the Bridge, the TLB, RCF, any additional facility incurred under the Senior Facilities Agreement and/or any other permitted refinancing, as the case may be, being refinanced or replaced and any fees, costs and expenses incurred in connection therewith, subject to certain conditions set out in the Senior Facilities Agreement. On January 17, 2024, the Company exercised an option in relation to the Senior Facilities Agreement and the Senior Bridge Facility Agreement to decrease the TLB and increase the Bridge by an amount equal to €1 billion (the “**Pre-Syndication Toggle**”), such that, as at the date of this Exchange Offer Memorandum, the total commitments under the TLB are equal to €4 billion and the total commitments under the Bridge are equal to €4.5 billion following the exercise of the Pre-Syndication Toggle.

The Senior Facilities Agreement and the Senior Bridge Facility Agreement include provisions relating to a cancellation of commitments under the TLB and/or the Bridge in connection with any exchange offer, debt exchange, liability management exercise, consent process or other similar transaction undertaken by TIM and/or the Group prior to the closing date which results in the incurrence by the Group of financial indebtedness as a result of an exchange, transfer

or assumption of indebtedness incurred by TIM or any of its affiliates (other than the Group) (a “**Liability Management Exercise**”). The Company shall cancel, or offer to cancel, the Senior Bridge Facility and the TLB by an amount equal to the principal amount of financial indebtedness incurred or to be incurred in the context of the Liability Management Exercise. The Company shall promptly (and in any event within 10 business days) of becoming aware of the occurrence of the Liability Management Exercise Unconditional Date, notify the Facility Agent of the occurrence of such Liability Management Exercise Unconditional Date, the LM Amount, and the amount of each of the TLB and the Bridge that it proposes to cancel in order to ensure that the TLB and the Bridge are in aggregate cancelled in an amount not less than the LM Amount (subject to the opt-out described below).

The Company may also offer TLB Lenders and Bridge Lenders the option of electing that such Lenders’ TLB commitments and/or Bridge commitments (as applicable) are not cancelled in the amount of their pro-rata share. If the relevant TLB Lender and/or Bridge Lender (as applicable) exercises such opt-out option and such opt-out option causes the relevant leverage ratio as at the first utilization date to exceed the Lock-Up Adjusted Leverage Ratio, (as projected by the Company in good faith), the amount of the opt-out option of the TLB Lenders and/or the Bridge Lenders (as applicable) shall be reduced to the extent required such that the relevant leverage ratio as of the first utilization date (as projected by the Company in good faith on a pro forma basis taking into account such cancellation and assuming the remaining commitments under the TLB and the Bridge are drawn in full on the first utilization date) shall not exceed the Lock-Up Adjusted Leverage Ratio. The “**Lock-Up Adjusted Leverage Ratio**” means the ratio of total net debt on the last day of the most recently ended measurement period to adjusted reported EBITDA for that measurement period, calculated on a pro forma basis, not being greater than 7.5:1.

Senior Facilities Agreement

Purpose

Borrowings funded under the TLB have been applied towards (directly or indirectly):

- (a) financing or refinancing any amounts payable under or in connection with (i) the contribution of the network business of TIM S.p.A. to FiberCop S.p.A. (“**NetCo**”) (the “**Contribution**”) and (ii) the acquisition by the Company of the shares in NetCo, (iii) the refinancing of certain indebtedness of the Company and its subsidiaries (the “**Group**”), of NetCo and its subsidiaries (the “**NetCo Group**”) and (iv) the other transactions contemplated by the transaction documents (in each case including the financing thereof) (the “**Transaction**”);
- (b) refinancing (including by way of intercompany loan) any indebtedness of the Group (together with any related costs and expenses), including any indebtedness owing to TIM S.p.A. and existing indebtedness of NetCo;
- (c) financing or refinancing all transaction costs in connection with the Transaction; and/or
- (d) financing or refinancing the general corporate purposes and/or working capital requirements of the Group, *provided* that the TLB may only be used to fund dividends or distributions to the shareholders of the Borrower or for purposes described in this paragraph (d) to the extent there are amounts available after refinancing the existing indebtedness of the Group.

Borrowings under the RCF may be applied towards (directly or indirectly) the general corporate and working capital purposes of the Group (including, for the avoidance of doubt, capital expenditure, acquisitions, guarantee or bonding requirements, investments and taxes). The RCF may be drawn in cash or letter of credit and can be made available by lenders thereunder way of bilateral ancillary facility and fronted ancillary facilities. The RCF is available until the date falling one month before the maturity date of the RCF (being 60 months after the first utilization date under the Senior Facilities Agreement).

Repayments and prepayments

Repayment of the TLB is due on the date falling 60 months after the first utilization date under the Senior Facilities Agreement.

Repayment of loans drawn under the RCF and related interest payments will be due and payable at the end of the interest period for each loan. The applicable interest period is selected in the relevant utilization request or selection notice and will either be one, three or six months subject to certain exceptions.

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Facilities Agreement, such lender under the Senior Facilities Agreement will have the right to cancel its commitments. Each Borrower shall repay the relevant lender's participation in any loans made to that Borrower on the date specified by the relevant lender in the notice delivered to the Company (being no earlier than the last Business Day of any applicable grace period permitted by law).

On a change of control or sale of all or substantially all of the assets of the Group (taken as a whole), a lender may, by notice to the Company to be received not later than the date that is 30 days after the date on which the Agent was notified of such event, cancel all of its commitments and declare all outstanding amounts owed to it due and payable within 15 Business Days of the notice.

In addition, the Senior Facilities Agreement requires that, in respect of each financial half-year of the Company starting from the seventh full financial half-year occurring after the first utilization date under the TLB, a mandatory prepayment of loans under the TLB is made in an amount equal to a percentage of excess cash flow (net of a minimum threshold amount and the amount of any voluntary prepayments made during such financial year and amounts reinvested in the business of the Group within certain time limits and certain other permitted uses of such amounts).

Additional mandatory prepayment provisions include mandatory prepayment of the net proceeds received in cash in respect of the net proceeds of (i) disposals; (ii) insurance claims; and (iii) claims under the due diligence reports and the TIM Transaction Documents, in each of the above cases subject to certain exclusions and subject to a minimum annual threshold.

The Senior Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts).

Interest and fees

Borrowings under both the TLB and the RCF initially bear interest at a rate equal to the aggregate of EURIBOR and a margin of 2.25% per annum. EURIBOR has a zero floor under the Senior Facilities Agreement. Borrowings under both the TLB may also bear interest at a rate equal to Term SOFR for loans denominated in U.S. dollars and compounded SONIA for loans denominated in sterling.

The margin for each loan under the TLB and the RCF shall step up to (i) following the second anniversary of the first utilization date up to and including the third anniversary of the first utilization date, 2.75 per cent. per annum; (ii) following the third anniversary of the first utilization date up to and including the fourth anniversary of the first utilization date, 3.00 per cent. per annum; and (iii) following the fourth anniversary of the first utilization date, 3.50 per cent. per annum.

Default interest on each of the Credit Facilities will be calculated as an additional 1.00% on the overdue amount.

Commitment fees are payable (i) in respect of the TLB, on the available and undrawn commitments under the TLB from and including the Closing Date until the end of the availability period applicable to the TLB, at a rate of 35% of the applicable margin; and (ii) in respect of the RCF, on the aggregate undrawn and uncanceled amount of the RCF, until the end of the availability period applicable to the RCF, at a rate of 35% of the applicable margin for the RCF. Commitment fees shall also be payable in respect of the TLB on available and undrawn amounts: (i) from and including the date falling 91 days after the date of the Senior Facilities Agreement to and including the date falling 180 days after the date of the Senior Facilities Agreement at the rate of 15% of the initial margin applicable to the TLB and (ii) from the date falling 181 days after the date of the Senior Facilities Agreement until the Closing Date, at the rate of 30% of the initial margin applicable to the TLB.

Such commitment fees are payable on the Closing Date (to the extent accrued) and thereafter on the last day of each successive period of three months following the Closing Date which ends during the relevant availability period applicable to each applicable facility and, if cancelled in full, on the cancelled amount of the relevant lender's commitment at the time the cancellation becomes effective.

The Company is required to pay customary agency fees to each of the Agent and the Security Agent in connection with the Senior Facilities Agreement.

Additional Facilities

The Company may elect to request additional facilities either as a new facility or as additional tranches of the Senior Facilities Agreement (the “**Additional Facilities**”). The Company and the lenders in respect of the Additional Facilities may agree to certain terms in relation to the Additional Facilities, including the margin, the termination date (each subject to certain parameters and conditions as set out in the Senior Facilities Agreement) and the availability period thereof. Unless the indebtedness incurred is otherwise permitted under the Senior Facilities Agreement or a Release Condition (as defined below) applies, the maximum aggregate principal amount of the indebtedness outstanding under all Additional Facilities (after taking into account the application of proceeds of any relevant indebtedness) may not at any time exceed the maximum amount such that the Company would have complied with the Lock-Up Adjusted Leverage Ratio on the last accounting date preceding the date on which that Additional Facility is utilized (or, at the option of the Company, if earlier, the last accounting date preceding the date on which that Additional Facility is established), with compliance to be determined on a pro forma basis assuming any such utilization and any transaction directly or indirectly funded by that utilization has occurred on the first day of the relevant measurement period.

Guarantees

The Senior Facilities Agreement is guaranteed by the Company and by any Additional Guarantor which shall accede to the Senior Facilities Agreement from time to time. The Senior Facilities Agreement requires that (subject to agreed security principles as set out in the Senior Facilities Agreement (the “**Agreed Security Principles**”) and any additional limitations on guarantees applicable under Italian law) each member of the NetCo Group which is a “Material Subsidiary” (which is generally defined under the Senior Facilities Agreement to include, among other things, any wholly owned subsidiary of the Company that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA of the Group) as at the first utilization date, will be required to become a guarantor under the Senior Facilities Agreement within the earlier of (a) the date falling 60 days after the Closing Date and (b) the date falling 20 business days following the envisaged reverse merger between the Company and NetCo (the “**Backstop Date**”).

In addition, any member of the NetCo Group which is a Material Subsidiary (subject to the Agreed Security Principles) as at the first utilization date is required to become a guarantor under the Senior Facilities Agreement within the Backstop Date. Furthermore, the Company shall procure that on or prior to the Backstop Date (and within 60 days of each delivery of the Group’s annual audited consolidated financial statements), the obligors account for at least 80% of the consolidated EBITDA of the Group (excluding the EBITDA of any member of the Group not required to become a Guarantor in accordance with the Agreed Security Principles).

Security

Subject to the Agreed Security Principles and any additional limitations applicable under mandatory provisions under Italian law, the following security interests will be granted on a first priority basis (to the extent legally possible) in favor of the Security Agent over certain assets as described below:

- (a) security over the issued share capital of the Company held by Optics HoldCo (the “Parent”);
- (b) security over receivables arising from material intercompany loans from the Parent to the Company;
- (c) security over receivables arising from material structural intercompany loans from the Company (or, after the NetCo Merger, the Parent) to NetCo, if any;
- (d) security over the issued share capital of NetCo held by the Company or, following the Push-Down Merger, Optics Holdco ((on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favour of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder arrangements relating to the shares in NetCo); and

- (e) security over the shares of any other Obligor.

Representations and warranties

The Senior Facilities Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with constitutional documents, applicable laws and certain other obligations, consents and filings, litigation, labor disputes, no default, accounts, environmental warranties, intellectual property, assets, applicable laws, taxation, information, *pari passu* ranking, security interests, guarantees and indebtedness, pension schemes group structure chart and insolvency.

Affirmative covenants

The Senior Facilities Agreement requires certain members of the Group to observe certain affirmative covenants, including:

- (a) maintenance of relevant authorizations and consents;
- (b) compliance with laws;
- (c) payment of taxes;
- (d) maintenance of *pari passu* ranking;
- (e) compliance with obligations relating to pension schemes;
- (f) provision of financial and other information and (in certain circumstances) granting access to books and records to the facility agent and the security agent;
- (g) maintenance of intellectual property;
- (h) maintenance of insurance;
- (i) maintenance of guarantor and security coverage and further assurances;
- (j) compliance with applicable environmental laws;
- (k) using commercially reasonable endeavours to complete a merger pursuant to Article 2501-bis of the Italian Civil Code of the Company with NetCo, with NetCo as the surviving entity (the “**NetCo Merger**”) within six months of the closing date; and
- (l) prepayment of the existing indebtedness at the NetCo level, to be completed within 60 days of the closing date.

The Senior Facilities Agreement also contains an “information covenant” under which, among other things and in the first instance, the Company is required to deliver to the Agent annual financial statements, quarterly financial statements and compliance certificates.

Negative covenants

The Credit Facilities Agreement contains certain customary operating and financial covenants (see “—*Financial covenant*” below), subject to certain exceptions and qualifications, including covenants restricting the ability of certain members of the Group to do the following:

- (a) merge with other companies;
- (b) incur additional indebtedness;
- (c) enter into transactions other than on arm’s length basis;

- (d) enter into certain hedging arrangements;
- (e) make dividends and payments on subordinated debt, grant loans, guarantees or indemnities;
- (f) create security over its assets;
- (g) acquire other businesses or other ownership interests in entities that are not members of the Group;
- (h) dispose of its assets (and any related re-investment rights or prepayment requirements in relation to such sales);
- (i) engage in business which is not a similar line of business;
- (j) enter into investments in any joint venture or similar arrangement; and
- (k) enter into certain leasing arrangements.

Certain obligations, covenants and restrictions set out in the Senior Facilities Agreement shall be amended, suspended or shall cease to apply in the event that the long-term corporate credit rating of the Company is equal to or better than BBB- (or its equivalent) from at least two rating agencies (one of which being either Standard & Poor's or Moody's) (the "**Release Condition**").

Financial covenant

The Senior Facilities Agreement requires that the ratio of the total net debt of the Group on the last day of any measurement period ending on or after the last day of the second complete financial half-year ending after the closing date to the adjusted reported consolidated EBITDA of the Group for that measurement period shall not be greater than 9.0:1. Upon occurrence of the Release Condition, such ratio shall be adjusted to 10:1.

The Company is permitted to prevent or cure breaches of the net leverage covenant by applying a "cure" amount (generally, amounts received by the Company in cash pursuant to any new equity or permitted subordinated debt) as if consolidated EBITDA had been increased by such amount. There is no requirement to apply any cure amount in prepayment of the TLB. No cures may be applied in consecutive accounting periods, no more than four cures may be applied at the option of the Company towards the calculation of adjusted reported consolidated EBITDA or total net debt or borrowings, and no more than three cures may be applied towards the calculation of adjusted reported consolidated EBITDA.

Events of default

The Senior Facilities Agreement contains certain events of default, the occurrence of which would allow the requisite majority of lenders (under and as defined in the Senior Facilities Agreement) to, amongst other actions, accelerate all outstanding loans and terminate their commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds and other qualifications):

- (a) failure to pay off any amounts when due under the finance documents entered into in connection with the Facilities;
- (b) breach of the financial covenant or failure to comply with other obligations under the finance documents;
- (c) inaccuracy of a representation or statement when made (subject to materiality qualifications);
- (d) cross defaults;
- (e) (subject to certain thresholds) insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution;
- (f) unlawfulness, invalidity rescission and repudiation, or unenforceability of the finance documents entered into in connection with the Credit Facilities; and

(g) breach of material obligations under the Intercreditor Agreement by any holding company of the Company.

Governing law and jurisdiction

The Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising out of or in connection with the Senior Facilities Agreement.

Bridge Facility Agreement

Purpose

Borrowings funded under the Bridge have and may be applied towards the same uses as the Senior Facilities Agreement. See “—*Senior Facilities Agreement—Purpose*” above. The Bridge is available until the date falling 60 days after the closing date.

Repayments and prepayments

The initial maturity date under the Senior Bridge Facility Agreement is the date falling 18 months and two days after the first utilization date, with the ability in certain circumstances to automatically extend the initial maturity date to the date falling 24 months after the first utilization date.

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Bridge Facility Agreement, such lender under the Senior Bridge Facility Agreement will have the right to cancel its commitments. The Borrower shall repay the relevant lender’s participation on the date specified by the relevant lender in the relevant notice delivered to the Borrower (being no earlier than the last Business Day of any applicable grace period permitted by law).

On a change of control or sale of all or substantially all of the assets of the Group (taken as a whole), a lender may, by notice to the Company to be received not later than the date that is 30 days after the date on which the Agent was notified of such event, cancel all of its commitments and declare all outstanding amounts owed to it due and payable within 15 Business Days of the notice.

Additional mandatory prepayment provisions include mandatory prepayment of the net proceeds received in cash in respect of: (i) any disposal; (ii) any insurance claim; and (iii) claims under the due diligence reports and the TIM Transaction Documents, in each of the above cases subject to certain exclusions and above a minimum annual threshold.

The Senior Bridge Facility Agreement allows for voluntary prepayments (subject to de minimis amounts).

Interest

Borrowings under the Bridge initially bear interest at a rate equal to the aggregate of EURIBOR and a margin of 1.50% per annum. EURIBOR has a zero floor under the Senior Bridge Facility Agreement.

The margin for each loan under the Bridge shall step up to (i) following the date falling three months after the first utilization date up to and including the date falling nine months after the first utilization date, to 1.75 per cent. per annum; (ii) from the date following the date falling nine months after the first utilization date up to and including the first anniversary of the first utilization date, to 2.00 per cent. per annum, (iii) from the day following the first anniversary of the first utilization date up to and including the date falling 15 months after the first utilization date, to 2.25 per cent. per annum; (iv) from the day following the date falling 15 months after the first utilization date up to and including the date falling 18 months after the first utilization date, to 2.50 per cent. per annum; (v) from the day following the date falling 18 months after the first utilization date up to and including the date falling 21 months after the first utilization date, to 2.75 per cent. per annum; and (vi) from and following the day following the date falling 21 months after the first utilization date, to 3.25 per cent. per annum.

Default interest on the Bridge will be calculated as an additional 1.00% on the overdue amount.

Guarantees

The Senior Bridge Facility Agreement is guaranteed by the Company and by any additional Guarantor as per the Senior Facilities Agreement - see “—*Senior Facilities Agreement—Guarantees*” above. Each guarantor under the Senior Facilities Agreement will also become a guarantor under the Senior Bridge Facility Agreement.

Security

The Senior Bridge Facility Agreement is secured by the same security interests granted under the Senior Facilities Agreement - see “—*Senior Facilities Agreement—Security*” above.

Representations and warranties

The Senior Bridge Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with constitutional documents and no default.

Affirmative covenants

The Senior Bridge Facility Agreement requires certain members of the Group to observe certain affirmative covenants, which are substantially consistent with those contained in the Senior Facilities Agreement.

The Senior Bridge Facility Agreement also contains similar “information covenants” as the Senior Facilities Agreement, under which, among other things and in the first instance, the Company is required to deliver to the Senior Facility Agent annual financial statements, quarterly financial statements and compliance certificates.

Negative covenants

The Senior Bridge Facility Agreement contains certain customary covenants, subject to certain exceptions and qualifications, which are substantially consistent with those contained in the Senior Facilities Agreement. A Release Condition also applies under the Senior Bridge Facility Agreement on terms which are consistent with those contained in the Senior Facilities Agreement.

Events of default

The Senior Bridge Facility Agreement contains certain events of default which are substantially consistent with those contained in the Senior Facilities Agreement, the occurrence of which would allow the requisite majority of lenders (under and as defined in the Senior Facilities Agreement) to, amongst other actions, accelerate all outstanding loans and terminate their commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds and other qualifications).

Governing law and jurisdiction

The Senior Bridge Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising out of or in connection with the Senior Bridge Facility Agreement.

Intercreditor Agreement

[REDACTED]

DESCRIPTION OF THE USD NEW NOTES

[REDACTED]

DESCRIPTION OF THE USD OPTICS NOTES

[REDACTED]

BOOK-ENTRY, DELIVERY AND FORM

[REDACTED]

**DESCRIPTION OF BOOK-ENTRY INTERESTS AND THE DEPOSIT AGREEMENT RELATING TO
THE GLOBAL USD OPTICS NOTES**

[REDACTED]

CERTAIN TAX CONSIDERATIONS

[REDACTED]

**CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES
AND THE OPTICS NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS**

[REDACTED]

TRANSFER RESTRICTIONS

[REDACTED]

THE DEALER MANAGERS

[REDACTED]

LEGAL MATTERS

Certain legal matters in connection with this Exchange will be passed upon for the Issuer by Latham & Watkins (London) LLP, as to matters of United States federal and New York State law, England & Wales law and Italian law and by Gatti Pavesi Bianchi Ludovici Studio Legale Associato, as to matters of Italian tax law.

Certain legal matters in connection with this Exchange will be passed upon for the Dealer Managers by Linklaters LLP, as to matters of United States federal, New York State, England & Wales law and Italian law.

INDEPENDENT AUDITORS

The TIM Audited Consolidated Financial Statements and NetCo Audited Combined Carve-out Financial Information were audited, without qualification and in accordance with the International Standards on Auditing (ISA Italia), by EY S.p.A. independent auditors, as stated in the English translations of their audit reports included elsewhere in this Exchange Offer Memorandum.

EY S.p.A.'s registered office is Via Meravigli 12, 20123 Milan, Italy, and it is registered under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree January 27, 2010, No. 39. EY S.p.A., is also a member of ASSIREVI (the Italian association of auditing firms).

WHERE YOU CAN FIND ADDITIONAL INFORMATION

[REDACTED]

LISTING AND GENERAL INFORMATION

[REDACTED]

APPENDIX A (ACUPAY ITALIAN TAX COMPLIANCE AND RELIEF PROCEDURES)

[REDACTED]

APPENDIX B (GLOSSARY)

Below is a list of the main technical terms used in this Exchange Offer Memorandum. These terms, unless otherwise specified, have the following meanings. For the terms below, whenever required by the context, the singular form includes plural form and vice versa.

2G (second-generation Mobile System)

Second-generation mobile systems using digital encoding and including GSM, D-AMPS (TDMA) and CDMA. 2G networks are in current use all over Europe and other parts of the world. These systems support voice and limited data communications, as well as auxiliary services such as fax and SMS.

3G (third-generation Mobile System)

Third-generation wireless system, designed to provide high data speeds, always-on data access, and greater voice capacity. 3G networks allow the transfer of both traditional communication services (telephony, messaging) and data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G. 3G networks technology enable mobile video, high-speed Internet access. The standards of the 3G technology include UMTS, based on WCDMA technology (quite often the two terms are often used interchangeably) and CDMA2000.

4G (fourth-generation Mobile System)

Fourth-generation systems are designed to provide, in addition to legacy services, mobile broadband Internet access to several kinds of devices such as laptops with wireless modems, smartphones, tablets, and other mobile devices. Current and future applications include mobile web access, IP telephony, gaming services, high-definition mobile video, video conferencing, Internet of Things and cloud computing applications. 4G standards include LTE e LTE-A (LTE-Advanced). LTE offers a higher spectral efficiency in bits per Hertz and download bandwidth up to 150 Mbit/s per cell reducing the latency time. LTE enables services that require high interactivity (*e.g.*, gaming, video conferencing). A further development of LTE, called “LTE Advanced,” is being implemented and will allow reaching even higher bitrates in download.

5G (fifth-generation Mobile System)

The term 5G indicates the set of technologies whose standards define the fifth generation of mobile telephony with a significant evolution compared to 4G / IMT-Advanced technology. Its global distribution started in 2019. The main elements of the 5G network are:

- Gbit-rate significantly higher than 4G in larger spectrum bandwidth (up to tens of Gbit/s over hundreds of MHz) to ensure greater quality of service, for innovative services such as video download and live streaming;
- ultra-low latency in the order of milliseconds;
- possibility of connecting simultaneously hundreds of thousands of objects (Internet of Things): wearable technologies, automatic systems for traffic control, assisted driving for vehicles, home automation;
- ability to connect moving vehicles at higher speeds.

5G SA

The standalone (SA) mode refers to a 5G deployment option based only on one 5G RAT (i.e. NR or LTE) without cooperation with another RAT, connected to a 5G Core Network.

ADSL (Asymmetric Digital Subscriber Line)

Technology that transforms through a modem the traditional copper fixed line into a high-speed digital connection for the transfer of multimedia data. ADSL is an asymmetrical technology used to achieve broadband transmission.

AGCOM (*Autorità per le Garanzie nelle Comunicazioni*) or Italian Communications Authority

AGCOM is an independent and autonomous authority and has been established by Italian Law No. 249 of 1997. AGCOM is primarily a regulatory authority: the establishing law entrusts AGCOM with the dual task of ensuring fair competition among market operators and protecting the fundamental freedoms of users.

AGCOM is a “convergent” authority, meaning that it performs regulatory and supervisory functions in the sectors of electronic communications, broadcasting, publishing, postal services and, more recently, online platforms.

Like other Italian authorities provided for by the Italian legal system, AGCOM is accountable for its actions to the Italian Parliament, which has established its powers, defined its statute and elected its members.

AI (Artificial Intelligence)

Ability of a technological system to solve problems and carry out tasks and activities typical of the mind and human behavior. In the computer science field, it is the discipline that deals with creating machines (hardware and software) able to “act” autonomously (solve problems, perform actions, etc.).

ASP (Access Service Provider)

A company engaged in the business of providing Internet access services to consumers by way of a physical network.

ATM (Asynchronous Transfer Mode)

A network protocol through which the transfer of data is achieved using the encapsulation of fixed length (53 bytes) data units, called cells, instead of variable-length packets as is the case in packet-switched networks.

Automation

This term identifies technologies for automated equipment, systems and processes automation, reducing the need for human intervention and simplifying network setup and maintenance activities.

Backbone

Portion of the telecommunication network that supports long-distance connections and aggregates large amount of traffic and from which the connections for serving specific local areas depart.

Backhauling

It refers to the interface between the radio access node and the core network.

Big Data

Big data is a term used to describe the set of technologies and methods for massive data analysis. The term indicates the ability to extrapolate, analyze and relate a huge amount of heterogeneous, structured and unstructured data, to discover the links between different phenomena and predict the future ones.

Bitstream access

Wholesale interconnection services which consist in the supply by a dominant telecommunications operator (incumbent) of access transmission capacity between an end customer and an interconnection point of another operator (OLO).

Blockchain

The Blockchain represents an innovative technology for structuring data and information with sharing on the network; a blockchain system is like a distributed database or virtual register, structured as a chain of blocks (hence the term blockchain) containing the transactions, and whose validation is entrusted to a consensus mechanism distributed on

all the nodes of the network participating to the chain. The main characteristics of blockchain are the immutability of the registry, the traceability of transactions and the security based on advanced cryptographic techniques. Blockchain technologies are currently used to support global supply chains, financial transactions (*e.g.*, BitCoin), accounting assets and distributed social networks.

Broadband

Includes network technologies that allow a transmission speed of at least 2 Mbit/s. These speeds are made available both on the fixed copper network, starting with ADSL technology, and on the mobile network starting with third generation systems. Broadband services include both data and voice services. Data services include high-speed Internet access, the ability to download audio and video files, point-to-point and multi-point interactive video services (video calling and video conferencing), video on demand and (download and streaming) television programs.

Broadcast

Simultaneous transmission of the same information to all nodes and terminal equipment of a network.

BSS (Business Support System)

The system used by network operators to manage business operations such as billing, sales management, customer-service management and customer databases.

Bundle

Commercial offer including multiple telecommunications services (voice, broadband Internet, IPTV, other) by an operator under the same commercial brand. Dual Play bundle includes fixed telecommunication services and broadband Internet; Triple Play bundle is the “dual play bundle” integrated with IPTV; Quadruple Play bundle is the “bundle triple play” integrated with mobile telecommunication services.

Carrier

Telecommunication services operator, providing a transport of communication services by means of its physical telecommunication network.

CDMA (Code Division Multiple Access)

CDMA is a channel multiple access method used in radio communication. First radio systems based on CDMA were developed by Qualcomm, and commercially introduced in 1995. It enables the simultaneous transmission on the same channel of multiple signals, each of which is uniquely coded to distinguish it from the other messages.

CDN (Content Delivery Network)

Content Delivery Networks, are content distribution systems (especially large multimedia contents, such as IPTV) managed by a service provider for the provision of audio streaming services and video, with better quality towards customers.

CDP (formerly Carbon Disclosure Project)

International initiative that encourages companies to focus on the management of the risks and opportunities emerging from climate change.

Cell

Geographical portion of territory illuminated by a radio base station.

Central Office

A building where the copper wires or optical fibers that make up the access network, reaching the customers, originate from. It hosts equipment for telephony services (*‘Stadio di Linea’* in TIM terms), broadband services (DSLAM) and possibly ultrabroadband services (OLT). Some COs also host equipment of higher hierarchical rank (SGU for telephony, router for data services), and those COs also collect traffic from the other COs which are not so equipped.

Channel

The portion of a communications system that connects a source to one or more destinations by means of transmission media and optical, electric, electromagnetic signals.

Cloud

The term Cloud is used as an abbreviation of the concept of “Cloud Computing,” i.e. a model of consumption of processing resources (for example networks, servers, memory, applications and services) through the network; with the Cloud, the end customer, otherwise defined as cloud consumer, is allowed to access, widespread, easy and on-demand to a shared and configurable set of resources that can be quickly acquired and released with minimal management or interactions with the service provider. The Cloud model is made up of five essential features: 1) Self Service on customer request, 2) broad-network access, 3) resource sharing, 4) elasticity/automation in resource demand, 5) certified SLAs, three service models (see also SaaS, PaaS and IaaS) and four distribution/deployment models (private, public, hybrid and communities).

Colocation

a service to provide space, connectivity and ancillary services to host telecommunication operators’ infrastructures so that they can provide their own access services to broadband/ultrabroadband, and interconnection services, of fixed and mobile networks, using the network operator’s exchanges, primary/secondary network and transport network.

CO₂ - Carbon Dioxide

Carbon dioxide is one of the major greenhouse gases. It is linked to industrial processes and is the product of combustion especially as the result of the use of fossil fuels.

CSP (Communications Services Provider)

A communications service providers, or CSP, offers telecommunications services or some combination of information and media services, content, entertainment and application services over networks, leveraging the network infrastructure as a rich, functional platform.

Cybersecurity

It deals with the analysis of threats, vulnerabilities and the risk associated to Internet-connected systems, including hardware, software and data, to protect them from the attempt to expose, alter, disable, destroy, steal or gain unauthorized access or make unauthorized use of an asset.

Dark Fiber

Dark fiber are fiber optic cables that are unused or “unlit.” This means that these cables are waiting to be leased out to fixed, mobile and wireless network operators who intend to implement a network solution, such as metropolitan networks to connect two or more POPs together, connections to link radio sites to traffic concentration nodes or a backbone or an entire proprietary transport network.

Data Center

The Data Center is the department of a company that hosts and manages back-end IT systems and data repositories: so, its mainframes, servers, databases, etc. In the past, this type of management and control was in a single physical

place, hence the name of data center. The development of new distributed computing technologies has inaugurated new management criteria that see more data centers located/distributed at both a physical and virtual level.

Decommissioning

The term decommissioning means the disposal of the oldest technological solutions (legacy or obsolete) in order to rationalize and simplify the current Telecommunication networks with the aim of optimizing investments and improving the quality and time-to-market of services.

Digital divide

The gap between people with effective access to digital and information technology and those with very limited or no access at all. The term encompasses among other things: gaps in ownership of or regular access to a computer, or Internet access due to being located in geographical areas with no broadband connectivity.

DSLAM (Digital Subscriber Line Access Multiplexer)

DSLAM denotes equipment multiplier of digital access lines able to process digital signals of various clients with xDSL lines and multiply them in a high rate data link to the nodes of the Internet.

DSS (Dynamic spectrum sharing)

Dynamic Spectrum Sharing (DSS for short) is a new antenna technology that for the first time enables the parallel use of LTE and 5G in the same frequency band. The technology determines the demand for 5G and LTE in real-time.

EDGE (Enhanced Data for GSM Evolution)

It is a technology that increases the speed of data transmission of the GPRS the standard from 30-40 Kbit /s to 400 Kbit / s in the best radio transmission condition.

Edge (Network Edge)

It is a segment of the network lying between access and core, wherein service functions are located (such as, *e.g.*, those performed by BRAS). Depending on the context, it may be quite distributed *e.g.*, to the level of mobile Base Station, or less distributed *e.g.*, at the edge of the backbone.

Edge cloud

It refers to a cloud infrastructure deployed at the network edge. An Edge Cloud architecture is used to decentralize (processing) power to the edges (clients/devices) of the network.

EPON (Ethernet PON)

EPON also known as Gigabit Ethernet PON or GEAPON, is a type of pure optical fiber that uses a symmetrical pattern in both downstream and upstream and can reach a maximum of 10 Gigabits per second of transmission. IEEE standardized solution.

ESG (Environmental, Social and Governance)

Environmental, social, and corporate governance (ESG) is a strategic framework for identifying, assessing, and addressing organizational objectives and activities ranging from the company's carbon footprint and commitment to sustainability, diversity and inclusion, to its overall ethos regarding corporate risks and practices.

eSIM (embedded SIM)

It represents the evolution of the SIM: it is an integrated circuit embedded directly inside a device and consequently not extractable and not replaceable, but remotely managed through the functionality of the device itself.

Ethernet

Family of computer networking technologies for local area networks (LANs) and metropolitan area networks (MANs).

FDD (Frequency Division Duplex)

Frequency-division duplexing (FDD) is a method for establishing a full-duplex communications link that uses two different radio frequencies for transmitter and receiver operation. FDD operation normally assigns the transmitter and receiver to different communication channels.

FTTx (Fiber To The x)

It is the term used to indicate any network architecture that uses fiber optic cabling in telecommunications access networks to replace, partially or totally, traditional copper cables. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end-user's location. In the case of FTTC (Fiber to the Cabinet) the fiber connection reaches the equipment (distribution cabinet) located on the sidewalk, from where copper connections are run to the customer; in the case of FTTB (Fiber to the Building) the fiber arrives at the base of the building to a distribution box from where the vertical copper connection starts; in the case of FTTH (Fiber to the Home), the fiber connection terminates inside the customer premises. In the case of FTTO (Fiber to the Office), the TIM Group means a solution towards the Office, while FTTR (Fiber To The Room), the TIM Group intends to arrive with the fiber in different rooms of the house.

FWA (Fixed Wireless Access)

Fixed Wireless Access refers to a set of transmission systems developed to exploit specific frequencies of the radio spectrum in order to provide fixed broadband connectivity services (with nominal connection speeds equal to 1 Gbps).

GPON (Gigabit capable Passive Optical Network)

A passive optical network (PON) is a network architecture that brings fiber cabling to the customer's home using a point-to-multipoint scheme, based on passive optical splitters, to serve multiple rooms with a single optical fiber. GPON is part of a set of PON standards (defined in ITU), which differ according to the maximum overall speed achievable within each optical shaft, a structure often shared with 64 users. In the case of GPON, the maximum speed is about 2.5 Gbps downstream and 1.25 Gbps upstream, shared with a predetermined number of users, which can reach up to 128. Each of the connected lines will then have a maximum nominal speed set by the operator, for example 1 Gbps in download. The other types of GPON standards are:

- XG-PON 10 Gbit/s downstream and 2,5 Gbit/s upstream
- XGS-PON maximum speed 10 Gbit/s downstream and 10 Gbit/s upstream
- NG PON2 maximum speed 40 Gbit/s downstream and 10 Gbit/s in upstream.

GPRS (General Packet Radio System)

Packet switched system to efficiently transmit data over 2G cellular networks.

GSM (Global System for Mobile Communication)

A worldwide standard for digital cellular telephony working on the 900 MHz and 1800 MHz bands. It belongs to the Second Generation (2G) of mobile systems.

Housing

Leasing of physical space to customers, which is managed within a data center for the installation of their own equipment or servers.

HSPA (High Speed Packet Access)

Evolution of UMTS, which enables broadband mobile data both in Downstream (HSDPA) and Uplink (HSUPA), up to 42 Mb/s and 5.76 Mb/s, respectively.

IaaS (Infrastructure as a Service)

Through a Cloud IaaS offer (Infrastructure as a Service, see also Cloud models), a consumer acquires from a Cloud Provider in a flexible and dynamic way computing, memory, network resources and other fundamental calculation resources, through which the customer can develop and run arbitrary software, including operating systems and applications. The consumer does not manage or control the underlying Cloud infrastructure, but controls operating systems, memory, applications and possibly, in a limited way, some network components (*e.g.*, firewalls).

ICT (Information and communication(s) technology)

Broad area concerned with information technology, telecommunications networks and services and other aspects of managing and processing information, especially in large organizations.

IMS (IP Multimedia Subsystem)

It is the architecture for providing IP Multimedia services, i.e. voice/video/text/etc communications over IP networks. It comprises all the network elements related to signaling and media flow handling.

IMSI (International Mobile Subscriber Identity)

The International Mobile Subscriber Identity is a unique identifier associated with a SIM card in cellular networks.

Interconnection

Interconnection refers to the physical and logical connection among public telecommunication networks belonging to different operators, in order to enable users of an operator to communicate with users of the same or a different operator, or to access services provided by another operator.

Internet

Global network for networks interconnection based on a common protocol suite, i.e. TCP/IP, which is the language by which connected equipment (hosts) are able to communicate.

Internet of Things

The Internet of Things refers to the extension of Internet to the world of objects (devices, equipment, systems), which become recognizable and acquire intelligence thanks to the fact that they can communicate data about themselves and access aggregate information from part of others. There are many fields of applicability: from industrial applications (production processes), logistics and infomobility, to energy efficiency, remote assistance and environmental protection.

IP (Internet Protocol)

A connectionless data routing protocol, used for data transmission on both public and private networks, in particular over the Internet.

IPTV (Internet Protocol Television)

A system that utilizes the Internet Protocol infrastructure to transmit digital television content over a network and deliver it via a broadband Internet connection.

IRU

Indefeasible rights of use.

ISPs (Internet Service Provider)**A vendor who provides access to the Internet and World Wide Web.Jitter**

In electronics and telecommunications jitter indicates the variation of one or more characteristics of a signal such as, amplitude, frequency, phase, transmission delay. The causes leading to jitter must be kept at the center of the design of electronic systems and components in which signal integrity is a strict constraint.

KPI (Key Performance Indicator)

Measurable performance indicators that allow the performance of a specific activity to be evaluated.

LAN (Local Area Network)

A private network that covers a local geographic area and provides telecommunications services as well as interconnection between personal computers.

Latency

The latency of a system can be defined as the time interval between the time the input arrives to the system and the time when its output is available. In other words, latency is nothing more than a measure of the speed of response of a system.

LEOS (Low Earth Orbit Satellite) network

A LEOS network refers to a system of satellites that orbit relatively close to Earth's surface. These satellites have the advantage of lower latency and faster communication compared to those in higher orbits due to their proximity to the Earth's surface. LEOS networks are commonly used for various applications, including telecommunications, internet services, Earth observation, and global positioning systems. The constellation of LEO satellites can provide extensive coverage, often enabling global communication capabilities.

LLU (Local Loop Unbundling)

Service by which operators other than TIM can lease the local loop, i.e. the wire connection between the TIM local exchange and the customer's premises.

Local Loop (Twisted Pair)

Twisted pair of copper wires through which the telephone connection reaches users; it is the foundation of traditional telephone lines and it is often called the "last mile."

LTE (Long Term Evolution)

See 4G.

Machine Learning

It is the ability of computers to learn without having been explicitly and preventively programmed.

MBB (Mobile Broadband)

Mobile broadband data service on 3G / 4G-LTE network.

Multimedia

A service involving two or more communications media (*e.g.*, voice, video, text, etc.) and hybrid services created through their interaction.

MVNO (Mobile Virtual Network Operator)

MVNO is a mobile communications service provider that does not own the radio spectrum or wireless network infrastructure over which the MVNO provides services to its customers.

Net Neutrality

Net neutrality is the principle that Internet service providers should treat all data equally and not discriminate or charge differently based on user, content, website, platform, application, type of equipment, or method of communication.

Network

An interconnected system of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cables or radio connections.

NGAN (New Generation Access Network)

It can be realized with different technological solutions, typically fiber optic and VDSL pairs.

Node

Topological network junction, commonly a switching center or station.

Nodal Optical Center (Centro Nodale Ottico or CNO)

It is the point of flexibility in the PON architecture and separates the primary optical network from the secondary optical network. The CNO houses the optical divider and the splitters connected to the passive fiber optic network.

OAo (Other Authorized Operator)

Operators other than the incumbent one that provide services to their customers exploiting the fixed access network of the incumbent.

OLOs (Other Licensed Operators)

Companies other than the incumbent operator that operate telecommunications systems in a national market.

OLT (Optical Line Termination)

Optical element of the PON network (Passive Optical Network) that acts as an interface between the PON itself and the Backbone network. OLT is located in the central office.

Optical fiber (or fiber optics)

Thin glass, silica or plastic wires, building the base infrastructure for data transmission. An optical fiber cable contains several individual fibers, and each of them is capable of delivering a signal (light impulse) at almost unlimited bandwidth. Optical fibers are usually employed for long-distance communication: they can transfer “heavy” data loads protected from possible disturbances along the way. The driving capacity of optical fibers is higher than the traditional cable and copper twister-pair lines.

Open RAN (Open Radio Access Network)

It refers to Open RAN, an architecture for building the virtualized RAN on open hardware, with embedded AI-powered radio control. Such an architecture is based on well-defined, standardized interfaces to enable an open, interoperable supply chain ecosystem in full support of and complimentary to standards promoted by 3GPP and other industry standards organizations.

OTT (Over the Top) players

Operators offering contents and services on the Internet without owning the proprietary TLC network infrastructure.

Outsourcing

Entrusting an external party carrying out services and business operations. For example, it can be outsourced the planning, construction and hosting services of a telecommunications management system and, ultimately, the management of the entire telecommunications system.

PaaS (Platform as a Service)

The PaaS (Platform as a Service) represents one of the three Cloud offer service models; through a PaaS offer of a Cloud Provider, the consumer is given the opportunity to distribute applications created on their own, or acquired by third parties on the cloud infrastructure, using programming languages, libraries, services and tools supported by the supplier. The consumer does not manage or control the underlying cloud infrastructure, including network, servers, operating systems, memory, but has control over the applications and possibly the configurations of the environment that hosts them.

Penetration (market penetration)

It represents the number of people (or subscriber) who acquires goods / services of a particular brand or a particular category, divided by the population where the service is available.

PON

PON stands for “passive optical network” referring to the optical network composed by non-active components in all stages between the origin (local exchange) and the external sides (subscriber or clients).

POP (Point Of Presence)

The POP is a point of access to the network (router), provided by an Internet Service Provider (ISP), able to route traffic to end users connected to POP.

Price cap

Identifies the maximum price limit set by a regulator at which a service /product can be sold.

QoS (Quality of Service)

Quality of service (QoS) is the description or measurement of the overall performance of a service, such as a telephony or computer network, or a cloud computing service, particularly the performance seen by the users of the network. To quantitatively measure quality of service, several related aspects of the network service are often considered, such as packet loss, bit rate, throughput, transmission delay, availability, jitter, etc.

RF (Radio Frequency)

Radio frequency, or RF, is the oscillation rate of an alternating electric current or voltage or of a magnetic, electric or electromagnetic field or mechanical system in the frequency range from around 20 kHz to around 300 GHz.

RAN (Radio Access Network)

It is the part of mobile network that implements the radio technologies, comprising data transport functions over air interface and control functions.

RAN Sharing

Is the most comprehensive form of access network sharing. It involves the sharing of all access network equipment, including the antenna, tower and backhaul equipment. Each of the RAN access networks is incorporated into a single network, which is then split into separate networks at the point of connection to the core.

Reliability (or Availability) (A)

It is the probability of an object to perform a required function under certain operating conditions and at a given instant of time.

Roaming

Agreement among two or more Mobile Operators from different Countries, under which Users can use the mobile network of other Operators participating in the agreement.

The roaming service is activated for example when the terminal is used overseas and enables a mobile user to access a different network from the one to which he subscribes.

SaaS (Software as a Service)

As part of the Cloud offer service models (see also Cloud entry), the SaaS (Software as a Service) model expresses the faculty provided to the consumer to use a supplier's applications and services, operating on a cloud infrastructure. The applications are accessible from different devices through a light interface (*e.g.*, a thin client), such as an email application on a browser, or from programs with a specific interface. The consumer does not manage or control the underlying cloud infrastructure, including network, servers, operating systems, memory, and even the capabilities of individual applications, except for limited configurations intended for him.

SDK (Software Development Kit)

Software development kit is a collection of software development tools in one installable package to ease the creation of applications.

Service Orchestration

Service orchestration means a single centralized business process that can be performed by an orchestrator (*e.g.*, a SW platform) that coordinates the interaction between various services and is responsible for their invocation and composition, as well as the management of transactions between the individual services. Service orchestration is often compared to Service Choreography, which instead makes a decentralized approach to the composition of services, where each of the services participating in the choreography implements a self-consistent process / workflow.

Service Provider

The Service Provider offers to the Users (Residential or Business) that subscribe his offer, a range of contents and services.

SLU (Sub Loop Unbundling)

It consists in providing access to the local sub-section of the Operator copper network, in particular the section of the network between the user site and the distribution cabinet or an intermediate concentration point.).

Smartphone

Electronic device that combines the functions of a mobile phone and a handheld computer equipped with a complete operating system.

Smart Speaker

A smart speaker is a type of wireless speaker and voice command device with an integrated virtual assistant that offers interactive actions and hands-free activation. Smart speakers have the ability to stream audio content, relay information, communicate with other devices, and provide voice control for home automation.

Smart TV

The term Smart TV identifies the new generation of televisions which allows us to enjoy multimedia audio-video content (movies, TV series, music videos, gaming) through an Internet connection.

SMS (Short Message Service)

Short text messages that can be received and sent through GSM-network connected cellular phones. The maximum text length is 160 alpha-numerical characters.

SOHO (Small Office / Home Office)

Market segment consisting of businesses that use telephone lines to connect to the Internet, as opposed to dedicated lines, and is made up of small businesses, generally with one or two employees, and businesses conducted out of the home.

STB (Set-Top Box)

It is a customer device able to receive TV signals from a communication network (such as broadband/ultrabroadband access network, terrestrial broadcast, satellite broadcast, etc) and output them to TVs and other display devices (monitors, projectors, etc.). It may include Conditional Access functions to handle paid content.

Tablet

Portable computer with compact dimensions whose screen can be used to write or give commands with the touch of your fingers or using a specially designed stylus.

TDD (Time Division Duplexing)

Time division duplex (TDD) refers to duplex communication links where uplink is separated from downlink by the allocation of different time slots in the same frequency band. It is a transmission scheme that allows asymmetric flow for uplink and downlink data transmission.

TDMA (Time Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile phone and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information channel at specific intervals and then reconstructs the pieces at the end of the channel.

TTM or Time-To-Market

Time to market (TTM) is the total length of time it takes to bring a product from conception to market availability. Companies use time-to-market metrics during new product development (NPD) and new product introduction (NPI) as they strive to gain first-mover advantages (*e.g.*, market share, sales revenue).

UI (User Interface)

User Interface, or UI, is the space where interactions between humans and machines occur. The goal of this interaction is to allow effective operation and control of the machine from the human end, while the machine simultaneously provides feedback that aids the operators' decision-making process. In the context of computer systems and software, the user interface is typically what the user sees and interacts with on the screen, including the layout, visual design,

text, brand elements and interactive elements like buttons and icons. UI design focuses on the user's visual experience and the design of on-screen graphic elements

Ultrabroadband or UBB

Includes all network technologies that offer connectivity from 30 Mbit/s to over 1 Gbit/s, referring in particular to the peak rate and not to the average available. The definition is related to the characteristics of the fixed and mobile access network. By increasing the capacity and the speed, Ultra Broadband technologies allow quicker access from multiple users to the content available on the net, also on the move, and to take advantage of high quality video up to Ultra HD and interactive gaming.

- Fixed ultrabroadband: includes access technologies that involve the use of optical fiber, known as FTTx.
- Mobile ultrabroadband: refers to the use of the HSPA mobile network (evolution of the 3G network), LTE and its evolutions and the 5G network.

Unbundling

It is the service offered by the incumbent to the alternative operator which consists of the rental of the local loop i.e. the wire connection between the local exchange and the customer's premises, so that the alternative operator is able to connect the twisted pair from the customer to its own equipment.

Universal Service

The obligation to supply basic service at an affordable price, or at special rates solely for subsidized users.

UX (User Experience)

User Experience, or UX, is a broad concept that includes the practical, experiential, affective, meaningful and valuable aspects of human-computer interaction and product ownership. It also includes a person's perceptions of system aspects such as utility, ease of use and efficiency. UX design is the process of creating products that provide meaningful and relevant experiences to users. This involves the design of the entire process of acquiring and integrating the product, including aspects of branding, design, usability and function.

V2X (Vehicle-to-Everything)

A technology that allows vehicles to communicate with other vehicles, infrastructure, and devices in order to improve safety, traffic efficiency, and overall mobility.

VAS (Value-Added Services)

Value Added Services provide a higher level of functionality than the basic transmission services offered by a telecommunications network. In PSTN and first generation mobile networks the basic service was telephony (switched voice calls, initially analog and later digital ones) while VAS could include data and fax transmission services, as well as call handling features such as call waiting, call forwarding, etc.

As time passed VAS based on call handling grew with further features such as toll-free calling, voice virtual private networks, etc. A new class of VAS also developed in mobile networks, including message handling services such as SMS and MMS. In parallel, development of data networks turned data transmission services (initially X25, then Frame Relay, ATM, Ethernet, IP) into basic services of those networks, on top of which there may be VAS such as address translation, data virtual lines and virtual networks, traffic priority, encryption, etc.

A further category of VAS is those based on contents of Service Providers linked to the network, beginning with contents provided on telephony network, going on with contents delivered via SMS (news, weather forecasts, etc) and contents provided via browsing from mobile and fixed terminals, and arriving to video.

VDSL (Very - high – data – rate Digital Subscriber Line)

Access technology that allows providers to give clients, by means of an apparatus installed in their homes, access to voice and TV services on the traditional telephone line with speeds of up to 50 Mbps in downstream.

VHCN (Very High Capacity Network)

High-performance, entirely fiber-optic networks that typically extend up to the central office, also known as the neutral delivery point (NDP). In terms of speed, a VHCN has a connection speed greater than 1 Gigabit/s for download on fixed networks and 100 Megabits/s on FWA networks. This term is usually associated with NGA networks.

Virtualization

An approach to implementation of functionality resorting only to software running on general purpose hardware generally not dedicated, as opposed to approaches resorting also to special purpose and/or dedicated hardware.

VLAN Virtual Local Area Network

A virtual local area network (VLAN) is a virtualized connection that connects multiple devices and network nodes from different LANs into one logical network.

VOD (Video On Demand)

TV-program offering on user's request, with payment of a fee for each purchased program (a movie, a soccer match, etc.). Broadcast specifically for cable and satellite TV. Possible purchasing models are SVOD (Subscription Video On Demand) or TVOD (Transactional Video On Demand also known as PPV pay per view)

VoIP (Voice Over IP)

A technology that allows transmission of voice communication over an Internet connection or another dedicated network using the Internet Protocol (IP) data networks (such as IP-based LANs, Intranets or the Internet) instead of a conventional phone line.

VoLTE/ViLTE (Voice over LTE / Video over LTE)

A service providing voice and video calls over IP via LTE radio access, controlled by standard ToIP architecture named IMS (IP Multimedia Subsystem). The mated naming VoLTE/ViLTE is used since the service is essentially the same for voice and video, differing only in the type of media streams that are set up. Since it is standard based, it achieves interoperability among user terminals and between terminals and networks.

VULA (Virtual Unbundling Local Access)

A wholesale service provided by incumbent providers to alternative operators, where the incumbent provides – over its broadband access network – the transport of data traffic (a 'bitstream') between the end customer and an interconnection point where the alternative operator receives said traffic. In TIM's case, the interconnection point is located at local exchange level, aside the OLT (Optical Line Termination) i.e. the head end of optical access network.

WAN (Wide Area Network)

A private network that covers a wide geographic area using public telecommunications services.

Web Service

Software system designed to support interoperability amongst different computers on a same network or in a distributed context (World Wide Web Consortium (W3C) definition).

White, Grey and Black areas

The distinction between White, Grey and Black Areas is relevant for the assessment of state aid to support the development of ultrabroadband networks, in terms of the compatibility of the aid with respect to European Union legislation. This classification is contained in the European Union Guidelines:

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years;
- Grey Areas are areas in which an ultrabroadband (UBB) network (connectivity) is present or will be developed in the next three years by a single private operator;
- Black Areas are areas in which at least two ultrabroadband (UBB) networks (connectivity) of different operators are present or will be developed over the next three years.

Wi-Fi

Wireless technology enabling data links in a limited area, generally in some hundred meters range, with speed up to tens of Mbps. Typical applications are in homes and offices as alternative to wired LAN, as well as in public services for Internet access, and also to create link between devices (*e.g.*, between a laptop and a smartphone linked to Internet).

WLR (Wholesale Line Rental)

It is a telephony only wholesale service provided by the incumbent to alternative operators, whereby the alternative operator gets an ULL-like service without the need to physically deploy equipment at local exchange sites. It is technically similar to Carrier PreSelection (CPS), and differs from CPS on the commercial side since the end customer is not subscribed to the incumbent's access service, nor billed for it; in this way alternative operators are able to provide to customers both access and traffic services and to produce a single bill covering both services.

xDSL (Digital Subscriber Line)

It is a technology that makes use of standard telephone lines and it includes different categories including ADSL (Asymmetric DSL), HDSL (High-data-rate DSL), VDSL (Very high bit rate DSL) and eVDSL (enhanced Very high bit rate DSL). This technology uses a digital signal at very high frequencies in order to achieve high data transfer rates.

TIM GROUP UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following section includes the consolidated pro-forma statement of financial position as of December 31, 2023, and the consolidated pro-forma income statement for the year ended December 31, 2023 (the “**TIM Group Unaudited Consolidated Pro Forma Financial Information**”).

The TIM Group Unaudited Consolidated Pro Forma Financial Information has been prepared for illustrative purposes only to give effect of:

- (i) the disposal of TIM's fixed network assets (the so-called NetCo Business (“**NetCo**”)), with:
 - a. the transfer of debt from TIM to Optics Bidco (“**Optics**”) (the “**Notes Transfer**”), assuming the Initial Exchange (as defined in the Exchange Offer Memorandum) is subscribed up to the Total Cap (as defined in the Exchange Offer Memorandum), equally split across the EUR New Notes (as defined in the Exchange Offer Memorandum) and the USD New Notes (as defined in the Exchange Offer Memorandum) (USD nominal amount is converted into € based on the exchange rate as of December 31, 2023);
 - b. the cash-in from the Acquisition, as adjusted to reflect, among other things, the Notes Transfer, the unwinding of the relevant hedge contracts, the repayment of the existing intercompany loan originally granted on March 31, 2021 by TIM to FiberCop (the “**FiberCop Intercompany Loan**”) and certain other connected transaction;
- (ii) the Master Service Agreement with NetCo (hereinafter the “**MSA**”); and
- (iii) the Transitional Service Agreement with NetCo (hereinafter the “**TSA**”);

and other connected transactions and adjustments (together with (i), (ii), (iii), the “**Transaction**”) as if they had occurred on December 31, 2023 of the relevant year for purposes of the applicable statement of the financial position and on January 1, 2023 for purposes of the applicable income statement.

The TIM Group Unaudited Consolidated Pro Forma Financial Information should not be considered indicative of the actual results that would have been achieved had the Transaction been completed on the dates assumed and does not purport to be illustrative of our future results of operations or financial position. Our actual results may differ significantly from those reflected in the TIM Group Unaudited Consolidated Pro Forma Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the TIM Group Unaudited Consolidated Pro Forma Financial Information.

The TIM Group Unaudited Consolidated Pro Forma Carve-out Financial Information does not reflect any additional adjustment connected to the Notes Transfer and resulting from: (i) any payment by the TIM Group of any early bird premium or participation premium of, in each case, in respect of any accepted tenders of Notes pursuant to the USD Exchange Offers and EUR Exchange Offers, and (ii) any payment owing by Optics to TIM or any payment owing by TIM to Optics based on the results of the Exchange Offers in accordance with the Transaction Agreement.

The TIM Group Unaudited Consolidated Pro Forma Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The TIM Group Unaudited Consolidated Pro Forma Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the TIM Group Unaudited Consolidated Pro Forma Financial Information, that the Issuer's management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transaction, are expected to have a continuing impact on the Issuer and are factually supportable.

Neither the assumptions underlying the pro forma adjustments, nor the resulting TIM Group Unaudited Consolidated Pro Forma Financial Information have been audited or reviewed in accordance with any

generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transaction on the pro forma combined condensed statements of financial position and pro forma combined condensed income statement, the TIM Group Unaudited Consolidated Pro Forma Financial Information should be read and interpreted without attempting to reconcile such data.

The TIM Group Unaudited Consolidated Pro Forma Financial Information should be read in conjunction with:

- (i) "Use of Proceeds", "Capitalization of the TIM Group", "Management's Discussion and Analysis of Financial Condition and Results of Operations of TIM" and "Summary Historical Consolidated Financial and Other Information of the TIM Group";
- (ii) TIM Group Audited Consolidated Financial Statements; and
- (iii) NetCo Audited Combined Carve-out Financial Information.

Basis of preparation

The TIM Group Unaudited Consolidated Pro Forma Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transaction. The accounting policies adopted in preparing the TIM Group Unaudited Consolidated Pro Forma Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are prepared in conformity with the International Financial Reporting Standards ("IFRS"), endorsed by the European Union; the TIM Group Unaudited Consolidated Pro Forma Financial Information have been extracted from the 2023 TIM Group Consolidated Financial Statements with the application of the specific pro-forma criteria.

Transaction Agreement

The Transaction Agreement ("TA") envisages:

- the contribution by TIM of a business unit - consisting of primary network activities, wholesale activities and the entire equity investment in the subsidiary Telenergia - into FiberCop, a company that already manages activities relating to the secondary fiber and copper network;
- the simultaneous acquisition by Optics of TIM's entire equity investment in FiberCop, following the aforementioned contribution (FiberCop after the contribution "NetCo");
- the signing of a master services agreement and a transitional services agreement on the closing date of the transaction that will regulate the terms and conditions of the services that will be rendered by NetCo to TIM and by TIM to NetCo following completion of the transaction.

Transaction Agreement: Accounting for the MSA

The revenues and expenses and other items expected to be generated by or otherwise associated with the Master Services Agreement as set forth in these pro forma accounts are based on the form of Master Services Agreement attached to the Transaction Agreement. It is possible that certain modifications to the form of Master Services Agreement may be made on or prior to the closing of the Acquisition and the entering into of the definitive Master Services Agreement which could impact the adjustments set forth herein respect of the Master Services Agreement.

Pursuant to the MSA, TIM undertakes to acquire from NetCo, among other things, the following services:

- (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers,
- (ii) B2B (business-to-business) connectivity services such as point-to-point fiber optic connectivity,

- (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers,
- (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo,
- (v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and
- (vi) other minor services.

The TIM Group will mainly provide:

- (a) mobile telecommunication services,
- (b) hosting arrangements within TIM Group's data centers,
- (c) access to the corporate network,
- (d) the provisions of IT services supporting NetCo's employees activities and
- (e) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs.

The MSA will have a general duration consisting of a first term of fifteen years with a renewal mechanism for an additional term. For more information, see "*Summary—the Transaction—The Master Services Agreement*".

The accounting of above-described services rendered by NetCo mainly impacts operating expenses and, only where there is an identified assets for a residual amounts (e.g. colocation and certain real estate spaces), right of use assets. The related VAT payables and receivables have not been included in the Pro-Forma adjustments.

Transaction Agreement: Accounting for the TSA

A Transitional Services Agreement ("**TSA**") will be effective from the Closing Date, in order to provide rules for the management and development of the IT systems during NetCo's start-up phase as well as agreements for the provision of necessary general services by TIM for NetCo to operate.

The amounts have been estimated based on the best available information, since the negotiation between the parties is still in progress.

For more information, see "*Summary—the Transaction—The Transitional Services Agreement*".

Transaction Agreement: FiberCop Intercompany Loan

For the purposes of this pro forma financial information, as part of the Transaction, any amount outstanding under the FiberCop Intercompany Loan will be repaid to TIM.

1. TIM GROUP UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

1.1 TIM Group Unaudited Consolidated Pro Forma Income Statement 2023

TIM Group Unaudited Consolidated Pro Forma Income Statement 2020						
(millions of Euro)	TIM Group Consolidated financial statements (Audited)	Historical results of NetCo combined carve out (Audited)	Pro forma adjustments			TIM Group Pro Forma Consolidated Income Statement (Unaudited) (a-b+c+d+e)
			Intercompany components	Effects of NetCo disposal	Effects of the Contracts & Other adjustments	
	(a)	(b)	(c)	(d)	(e)	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
Revenues	16,296	2,119	89		170	14,436
Other income	206	92	2			116
Acquisition of goods and services	(7,518)	(833)	(89)		(1,899)	(8,673)
Employee benefits expenses	(2,987)	(1,041)			(26)	(1,972)
Other operating expenses						
/Changes in inventories/Internally generated assets	(287)	125			(1)	(413)
EBITDA	5,710	462	2		(1,756)	3,494
Depreciation and amortization/Gains(losses) on disposals and impairment reversals (losses) on non-current assets	(4,874)	(1,573)	(2)	-	(47)	(3,350)
Operating profit (loss) (EBIT)	836	(1,111)	0		(1,803)	144
Other incomes (expenses) from investments	24					24
Finance incomes (expenses), net	(1,740)	(336)		427	(20)	(997)
Profit (loss) before tax from continuing Operations	(880)	(1,447)	0	427	(1,823)	(829)
Income tax expense	(227)	(164)	0	-	(128)	(191)
Profit (loss) from continuing Operations	(1,107)	(1,611)	0	427	(1,951)	(1,020)
Profit (loss) for the year	(1,107)	(1,611)	0	427	(1,951)	(1,020)

Explanatory notes to Pro-forma Consolidated Income Statement

Note 1 – TIM Group Consolidated financial statements

This column includes audited TIM Group consolidated income statement for the financial year ended December 31, 2023, taken from the TIM Consolidated Financial Statement as of December 31, 2023.

Note 2 – Historical results of NetCo combined carve out

This column includes the audited NetCo's combined income statement for the financial year ended December 31, 2023, taken from the NetCo Combined carve out Financial Information as of December 31, 2023.

Note 3 – Intercompany components

This column presents the re-establishment by TIM of some operating intercompany that have to be considered as a third party operation in the TIM Group Consolidated Pro Forma Financial Information. In particular, they mainly refer to costs (electricity, maintenance services and TLC service access costs)

and revenues (sales and service revenues), among TIM Group, NetCo, Telenergia and Fibercop that re-emerge after the Transaction..

Note 4 – Effects of NetCo disposal

This column presents the pro-forma adjustments related to NetCo disposal that affect the income statement.

In particular, in “Finance incomes (expenses), net” line, the following assumption have been considered:

- the Initial Exchange is subscribed up to the Total Cap, split with equal notional across respectively each series of the EUR New Notes (Euro 430 million) and each series of USD New Notes (US\$ 431 million) assuming an exchange rate as of December 31, 2023 of US\$ 1.105 per €1.000;
- the purchase price does not reflect any purchase price adjustments pursuant to the Transaction Agreement.

The pro-forma adjustment in “Finance incomes (expenses), net” line amounts to Euro 427 million and includes:

- lower finance expenses related to the transfer of the bonds, assuming an average post-hedge debt cost equal to 5.1%, calculated under the assumption that the Initial Exchange is subscribed up to the Total Cap;
- higher finance incomes related to the higher available liquidity, calculated under the assumption that the Initial Exchange is subscribed up to the Total Cap;
- Unwinding of derivatives currently hedging the USD New Notes that are assumed to be exchanged and other minor effects.

Note 5 – Effects of the Contracts & Other adjustments

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.

Revenues generated by the MSA and the TSA are equal to Euro 170 million, as reported in the table below:

<i>(millions of Euro)</i>	Total adjustments
MSA services:	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	53
Total MSA Services	135
(e) TSA services	35
Total Revenues	170

(a) Data center and central spaces

The pro-forma adjustment amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile

The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by NetCo for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the “Rete Dati di Gruppo” (“RDG”). RDG is TIM's corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS - Communication and Collaboration Services

The pro-forma adjustment amounts to Euro 23 million and includes the fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS- Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream

The pro-forma adjustment amounts to Euro 53 million and includes the fees the IP transport needed to implement the OLO's wholesale services that require IP bandwidth. The total revenues is determined as sum of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 35 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems;
- the Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations (“PdL”), data/information, as well as the management of accounts cycle of NetCo;
- the Cyber Security & SOC Services that shall be provided by TIM to NetCo;
- the Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law (“Codice delle Comunicazioni”), regarding judicial requests required by operation of law for telecommunication operators;
- ICT Risk management;
- accounting Support;
- tax;
- payroll;
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Costs, depreciation and amortization generated by the MSA and the TSA, and Other adjustments are equal to Euro 1,972 million, as reported in the table below:

<i>(millions of Euro)</i>	
	<i>Pro-forma adjustments</i>
MSA Services	
(a) Access (*)	1,373
(b) Assurance	128
(c) Delivery (*)	61
(d) Industrial Colocation (**)	193
(e) Engineering	148
(f) Real Estate and DC (**)	21
(g) Other Services	122
(h) Energy	65
Total MSA Services	2,111
(i) TSA Services	6
Total Operating Expenses - gross	2,117
Elimination of previous MSA/TSA contract and Others	(113)
Total Operating Expenses	2,004
Other adjustments related to MOS/MOI	(32)
Total Operating Expenses, net	1,972
<i>Breakdown as follows:</i>	
Acquisition of goods and services	1,899
Other operating expenses /Changes in inventories/Internally generated assets	26
Depreciation & Amortization	47

(*) The amounts doesn't include any impacts deriving from the deferral of costs.

(**) The amounts include some Depreciation & Amortization impacts.

(a) Access

The pro-forma adjustment amounts to Euro 1,373 million, which include fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(b) Assurance

The pro-forma adjustment amounts to Euro 128 million, which include fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) and quantities extracted from operational systems.

(c) Delivery

The pro-forma adjustment amounts to Euro 61 million, which include fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation

The pro-forma adjustment amounts to Euro 193 million and includes fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA; certain colocation amounts, for the portion of identified assets, have been accounted under IFRS 16 (right of use of assets).

(e) Engineering

The pro-forma adjustment amounts to Euro 148 million, which include fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC

The pro-forma adjustment amounts to Euro 21 million, which include fees for rental of offices and data center spaces and related utilities. The Real Estate amounts have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA; certain real estate amounts have been accounted under IFRS 16 (right of use assets) for the portion of identified assets referred to certain office spaces.

(g) Other Services

The pro-forma adjustment amounts to Euro 122 million, which include fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul costs refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by NetCo MSA and the quantities are extracted from operational system;
- KIT VULA costs include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM;
- Legacy Voice costs are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Costs have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices;
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 65 million, which include fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy costs are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA - IT OSS Transitional Service

The pro-forma adjustment amounts to Euro 6 million, which include fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Other adjustments related to MOS/MOI

The pro-forma adjustments include a negative amount of Euro 32 million that relates to deferred expenses adjustment reversal for 2023 and MSA Costs deferral (7/8 of activation costs towards NetCo).

1.2 TIM Group Unaudited Consolidated Pro Forma Statement of the financial position at December 31, 2023

(millions of Euro)	TIM	Historical	Pro forma adjustments			TIM Pro
	Consolidated	results of				Forma
	financial statements (Audited)	NetCo combined carve out (Audited)	Intercompany components	Effects of NetCo disposal	Effects of the Contracts & Other adjustments	Consolidated Income Statement (Unaudited)
	(a)	(b)	(c)	(d)	(e)	(a-b+c+d+e)
	(Note 6)	(Note 7)	(Note 8)	(Note 9)	(Note 10)	
Goodwill	19,170			(7,703)		11,467
Intangible assets with a finite useful life	7,122	239				6,883
Property, plant and equipment owned	14,692	9,720	(15)			4,957
Right of Use assets	5,515	2,537	36		386	3,400
Other non-current assets	677					677
Other non-current financial assets	1,215	80	2,080	(2,461)		754
Miscellaneous receivables and other non-current assets	2,187	525	137		28	1,827
Deferred tax assets	701	65	1			637
Total non-current assets	51,279	13,166	2,239	(10,164)	414	30,602
Inventories	345	43	(19)			283
Trade and miscellaneous receivables and other current assets	4,890	866	441		32	4,497
Current financial assets	5,645	276	24	8,110		13,503
Total current assets	10,880	1,185	446	8,110	32	18,283
Total assets	62,159	14,351	2,685	(2,054)	446	48,885
Non-current financial liabilities for financing contracts and others	21,284	3,571	2,080	(5,187)		14,606
Non-current financial liabilities for lease contracts	4,743	2,075			325	2,993
Employee benefits	511	305	1			207
Deferred tax liabilities	83	20				63
Provisions	679	223	(1)			455
Miscellaneous payables and other non-current liabilities	1,326	582	140			884
Total Non-current liabilities	28,626	6,776	2,220	(5,187)	325	19,208
Current financial liabilities for financing contracts and others	5,771	13	15		425	6,198
Current financial liabilities for lease contracts	838	253	10		46	641
Trade and miscellaneous payables and other current liabilities	9,384	1,951	440		(109)	7,764
Income tax payables	27	2				25
Total Current Liabilities	16,020	2,219	465		362	14,628
Total Liabilities	44,646	8,995	2,685	(5,187)	687	33,836
Equity attributable to owners of the Parent / Invested Capital	13,646	5,356		5,356	(241)	13,405
Non-controlling interests	3,867			(2,223)		1,644
Total Equity / Invested capital	17,513	5,356		3,133	(241)	15,049
Total Liabilities and Equity	62,159	14,351	2,685	(2,054)	446	48,885

Explanatory notes to Pro-forma Consolidated Statement of Financial Position

Note 6 – TIM Group Consolidated financial statements

This column includes audited TIM Group consolidated statement of financial position for the financial year ended December 31, 2023, taken from the TIM Group Consolidated Financial Statement as of December 31, 2023.

Note 7 – Historical results of NetCo combined carve out

This column includes the audited NetCo's combined statement of financial position for the financial year ended December 31, 2023, taken from the NetCo Combined carve out Financial Information as of December 31, 2023.

Note 8 – Intercompany components

This column presents the re-establishment of FiberCop Intercompany Loan and TIM intercompany financial receivable that, following the effect of the carve out, have to be considered as a third party operation in the TIM Group Consolidated Pro Forma Financial Information.

Note 9 – Effects of NetCo disposal

This column presents the pro-forma adjustments related to the effect of NetCo disposal. In particular, the following adjustments have been reflected in the statement of financial position:

- the impacts related to the transfer of the Notes and the unwinding of relevant derivatives, the cash consideration from the Transaction and the reimbursement of FiberCop intercompany loan. For the purposes of calculating the cash-in from the NetCo disposal, which depends, among other factors, on the results of the Exchange Offers, the management assumed that the Initial Exchange is subscribed up to the Total Cap, split with equal notional across respectively each series of the EUR New Notes (Euro 430 million) and each series of USD New Notes (US\$431 million) assuming an exchange rate as of December 31, 2023 of \$1.105 per €1.000. The purchase price does not reflect any purchase price adjustments pursuant to the Transaction Agreement.
For additional information, please refer to the paragraph Additional Pro Forma Financial Information "TIM Group Pro-forma Adjusted Net Financial Debt – After Lease".
- the goodwill reduction of Euro 7,703 million. Please note that - only for the purpose of this Pro-forma accounts - the relevant assumption is that the amount attributed to NetCo of the Domestic operation goodwill is calculated as difference between the carrying value of business net assets (net of related non-controlling interest) and the proceeds received from the disposal, with no impacts registered on Equity and Net Income. Thus, this amount does not represent the amount of goodwill that will be attributed by TIM Group to the NetCo business, following the provisions of the applicable IFRSs (and namely IAS 36, relative fair value), at the closing date and after the final determination of the relative values of the business disposed of and of the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

Note 10 – Effects of the Contracts & Other adjustments

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023 and Other adjustments, referred to the following items:

- Current financial liabilities for financing contracts and others, associated with the advanced payment on NRRP tenders, still under discussion and legal analysis:
 - at the end of 2023 TIM collected from Infratel Italia S.p.A. (the in-house company of the Ministry of Economic Development and the implementing party of the Government's Broadband and Ultra-Broadband Plans, hereinafter "**Infratel**") Euro 758 million referred to all the three tenders awarded (Italia 1 Giga, 5G Backhauling, 5G Coverage), representing around 30% of the total grant for the three Plans and setting forth a progressive recovery method. The advances collected has been recognized by TIM in the TIM Group Audited Consolidated Financial Statements within Cash and cash equivalents and Short-term financial receivables, against Miscellaneous payables towards Infratel. As a condition precedent for the disbursement of advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest. These guarantees were issued to TIM by banks and insurance companies on December 21 and 22, 2023;
 - as of December 31, 2023, the advanced payments pertaining to the tenders that, according to the Transaction Agreement, have to be transferred to NetCo, amounts to estimated Euro 706 million; allocations of the advances received have been made on the basis of the agreed treatment of the NRRP tenders in the Transaction Agreement. The discussions between TIM, NetCo/Optics and Infratel about the terms and the allocation of the advances are still ongoing as at the date of this document;
 - for the purposes of the preparation of this TIM Group unaudited consolidated pro forma financial information - in light of the expected capital expenditures deployment and the ongoing discussion with Infratel - the amount of Euro 425 million has been reclassified among net financial position items, since TIM could be required to reimburse these advances, no longer retaining title to the grants and being those advanced payments related to capital expenditures that remain to be made.
- Trade and miscellaneous payables and other current liabilities (Euro 109 million, negative amount) refer to:
 - Euro 425 million negative for the reduction due to reclassification to net financial position of the item above reported;
 - Euro 316 million payables related to the estimation of trade payables connected to the MSA. Trade payables have been calculated by applying a 60 days DPO, equal to the payment terms provided by the MSA, to the MSA pro-forma costs adjustment.
- RoU assets (Euro 386 million) refer to real estate rented spaces granted from NetCo to TIM in accordance with the MSA and related to (i) offices, (ii) co-location and P2P;
- Non-current Financial liabilities for lease contracts (Euro 325 million) and Current Financial liabilities for lease contracts (Euro 46 million) refer to RoU assets and real estate rented spaces, granted from NetCo to TIM in accordance with the MSA and related to (i) co-location and (ii) offices;
- Trade receivables (Euro 32 million) refer to estimation of trade receivables connected to the MSA for 28 million of euro and to current contractual deferred costs for 4 million. Trade receivables have been calculated by applying a 60 days DSO, equal to the collection terms provided by the MSA, to the MSA pro-forma revenues adjustment;
- Euro 28 million refer to non-current contractual deferred cost

1.3 Additional pro-forma financial information

Reconciliation of TIM Group Pro Forma EBITDA to TIM Group Pro Forma Organic EBITDA-AL

Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. The following table provides a reconciliation of the TIM Group's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(millions of Euro)	For the year ended December 31, 2023 (unaudited)
EBITDA^(*)	3,494
Non-recurring expenses/(income) ⁽¹⁾ and other estimated normalization items ⁽²⁾	671
Lease payments ⁽³⁾	(716)
Organic EBITDA-AL^(*)(4)	3,450

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) **Non-recurring expenses/(income)** relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Non-recurring charges include, among others, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization/restructuring and prior-year adjustments. Specifically, non-recurring events for the year ended December 31, 2023 include:

- (i) Euro 174 million for charges mainly connected to disputes, regulatory sanctions and potential liabilities related to them, the update of the contractual risk provision for onerous contracts (IAS 37) relating to a existing multi-year relationship as well as agreements and the development of non-recurring projects and the recovery of operating costs;
- (ii) Euro 445 million for employee benefit expenses also connected to the application of the Art. 4 of Law June 28, 2012 no. 92, as per the agreements signed with the trade unions by Domestic Business Unit companies.

(2) **Estimated normalization items** refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

- (i) certain personnel costs relating to the social shock absorbers ("*contratto di espansione*") incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to Euro 37 million;
- (ii) provision accruals for litigations & disputes and related legal costs amounted to Euro 10 million;
- (iii) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to Euro 5 million.

(3) **Lease payments** refer to the actual cash outflows incurred in the year related to lease contracts.

- (4) Pro Forma Organic EBITDA for any of the periods presented equals Pro Forma Organic EBITDA-AL, with the above adjustment for lease payments added back in. Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments.

TIM Group Pro Forma Reclassified Statement of Financial Position

The following table presents the TIM Group Pro Forma Reclassified Statement of Financial Position as of December 31, 2023:

(millions of Euro)	TIM Consolidated financial statements (Audited)	Historical results of NetCo combined carve out (Audited)	Pro forma adjustments			TIM Pro Forma Consolidated Income Statement (Unaudited) (a-b+c+d+e)
			Intercompany components	Effects of NetCo disposal	Effects of the Contracts & Other adjustments	
	(a)	(b)	(c)	(d)	(e)	
Goodwill	19,170	-	-	(7,703)	-	11,467
Intangible assets with a finite useful life	7,122	239	-	-	-	6,883
Property, plant and equipment owned	14,692	9,720	(15)	-	-	4,957
Right of Use assets	5,515	2,537	36	-	386	3,400
Miscellaneous receivables and other non-current assets	2,187	525	137	-	28	1,827
Deferred tax assets	701	65	1	-	-	637
Other non-current assets	677	-	-	-	-	677
Total non-current assets	50,064	13,086	159	(7,703)	414	29,848
Inventories	345	43	(19)	-	-	283
Trade and miscellaneous receivables and other current assets	4,890	866	441	-	32	4,497
Employee benefits	(511)	(305)	(1)	-	-	(207)
Deferred tax liabilities	(83)	(20)	-	-	-	(63)
Provisions	(679)	(223)	1	-	-	(455)
Miscellaneous payables and other non-current liabilities	(1,326)	(582)	(140)	-	-	(884)
Trade and miscellaneous payables and other current liabilities	(9,384)	(1,951)	(440)	-	109	(7,764)
Income tax payables	(27)	(2)	-	-	-	(25)
Net Working Capital	(6,775)	(2,174)	(158)	-	141	(4,618)
Net Invested Capital	43,289	10,912	1	(7,703)	555	25,230
Net Financial Debt Carrying Amount	25,776	5,556	1	(10,836)	796	10,181
Total Equity / Invested capital	17,513	5,356	-	3,133	(241)	15,049
Total	43,289	10,912	1	(7,703)	555	25,230

Reconciliation of TIM Group Pro-forma Adjusted Net Financial Debt – After Lease

The following table presents the detail of the TIM Group Pro-Forma Net Financial Debt – After Lease as of December 31, 2023:

(millions of Euro)	TIM Group Consolidated financial statement (Audited)	Historical results of NetCo combined carve out (Audited)	Re-establishment of intercompany components	Pro forma adjustments		TIM Group Pro Forma Consolidated financial statement (Unaudited) (a-b+c+d+e)
				Effects of NetCo disposal	Effects of the Contracts & Other adjustments	
	(a)	(b)	(c)	(d)	(e)	
Bonds	18,563			(5,012)		13,551
Amounts due to banks, other financial payables and liabilities	8,492	3,584	2,094	(174)	425	7,253
Financial liabilities for lease contracts (i)	5,581	2,328	10		371	3,634
Gross financial debt	32,636	5,912	2,104	(5,186)	796	24,438
Cash and cash equivalents	(2,912)	(152)	(2)	(8,110)		(10,872)
Other financial assets	(3,674)	(23)	(2,092)	2,461		(3,282)
Financial receivables arising from lease contracts (ii)	(274)	(181)	(9)			(102)
Financial assets	(6,860)	(356)	(2,103)	(5,649)	-	(14,256)
Net Financial Debt Carrying Amount	25,776	5,556	1	(10,835)	796	10,182
Reversal of fair value measurement of derivatives and related net financial liabilities/assets	(120)	-		51		(69)
Adjusted Net Financial Debt	25,656	5,556	1	(10,784)	796	10,113
Leases (i+ii)	(5,307)	(2,147)	(1)	-	(371)	(3,532)
Adjusted Net Financial Debt-After Lease	20,349	3,409	-	(10,784)	425	6,581

The transaction generates a Adjusted Net Financial Debt-After Lease reduction of Euro 13,768 million broken down as follow

- Euro 14,193 million refers to NetCo Disposal
 - Euro 5,000 million notes transferred,
 - Euro 1,342 million FiberCop deconsolidation,
 - Euro 2,079 million reimbursement of FiberCop intercompany loan,
 - Euro 5,809 million cash consideration from the Transaction,
 - Euro 37 million, negative amount related to other minor effects
- Euro 425 million refers to the mentioned reclassification of a portion of the liability related to NRRP
- Lease liabilities reduction of Euro 1,775 million refer for Euro 2,147 million to deconsolidated contracts partly offset by Euro 371 million of MSA contract;
- Reversal of fair value reduction refers to the derivative unwinding related to transferred notes.

NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

The following section includes:

- the combined pro-forma statement of financial position as of December 31, 2023 and the combined pro-forma income statement for the year ended December 31, 2023 (the “**2023 NetCo Unaudited Combined Pro Forma Carve-Out Financial Information**”), and
- the combined pro-forma income statement for the year ended December 31, 2022 (the “**2022 NetCo Unaudited Combined Pro Forma Carve-out Financial Information**”, and cumulatively with the 2023 NetCo Unaudited Combined Pro Forma Carve-out Financial Information, the “**NetCo Unaudited Combined Pro Forma Carve-out Financial Information**”).

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information has been prepared for illustrative purposes only to give effect of: (i) the signing of Master Service Agreement with Telecom Italia S.p.A. (“**TIM**”) (hereinafter the “**MSA**”), (ii) the signing of Transitional Service Agreement with Telecom Italia S.p.A. (hereinafter the “**TSA**”) and (iii) cumulatively, the repayment of the existing intercompany loan originally granted on March 31, 2021 by TIM to FiberCop (the “**FiberCop Intercompany Loan**”) with a new loan to be granted to NetCo assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it ((i), (ii) and (iii), the “**Transaction**”) as if they had occurred on December 31, 2023 for purposes of the applicable statement of the financial position and on January 1 of the relevant year for purposes of the applicable income statement.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should not be considered indicative of the actual results that would have been achieved had the Transaction been completed on the dates assumed and does not purport to be illustrative of our future results of operations or financial position. Our actual results may differ significantly from those reflected in the NetCo Unaudited Combined Pro Forma Carve-out Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the NetCo Unaudited Combined Pro Forma Carve-out Financial Information.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after the Acquisition Closing Date. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the acquiring entity Optics BidCo (“**Optics**”) or the financing of that entity

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information, that the Issuer’s management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transaction, are expected to have a continuing impact on NetCo and are factually supportable.

Neither the assumptions underlying the pro forma adjustments, nor the resulting NetCo Unaudited Combined Pro Forma Carve-out Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements of NetCo and the different methods of calculating the effects of the Transaction on the pro forma condensed statements of financial position

and pro forma condensed income statement, the NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read and interpreted without attempting to reconcile such data.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read in conjunction with:

- (i) “Use of Proceeds”, “Capitalization of NetCo and Optics”, “Management’s Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo” and “Summary Financial and Other Pro Forma Carve-Out Information of NetCo and Optics”;
- (ii) TIM Group Audited Consolidated Financial Statements; and
- (iii) NetCo Audited Combined Carve-out Financial Information.

Basis of preparation

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information of NetCo detailed above, adjusted to reflect the effects of the Transaction. The accounting policies adopted in preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are in conformity with the International Financial Reporting Standards (“IFRS”), endorsed by the European Union; the NetCo Audited Combined Carve-out Financial Information have been extracted from the 2023 and 2022 TIM Group Consolidated Financial Statements with the application of the specific carve-out criteria.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect:

- the financial and economic effects of the Exchange Offers;
- the financial position or results of Optics BidCo (“**Optics**”), including the debt incurred by Optics BidCo under the Senior Facilities Agreement and Senior Bridge Facility Agreement or any pro forma interest expense related thereto;
- the expenses at the Acquisition Closing Date and the “to be” cost base adjustments.

For more information, see “*Summary Financial and Other Pro Forma Carve-Out Information of NetCo—Certain Optics’ Pro Forma Data As Adjusted for the Transaction*”.

Transaction Agreement

The Transaction Agreement envisages:

- the contribution by TIM of a business unit - consisting of primary network activities, wholesale activities and the entire equity investment in the subsidiary Telenergia - into FiberCop, a company that already manages activities relating to the secondary fiber and copper network;
- the simultaneous acquisition by Optics of TIM's entire equity investment in FiberCop, following the aforementioned contribution (FiberCop after the contribution “NetCo”), not included in this NetCo unaudited combined pro forma carve-out financial information;
- the signing of a Master Services Agreement (hereinafter the “**MSA**”) and transitional services agreement (“**TSA**”) on the closing date of the transaction that will regulate the terms and conditions of the services that will be rendered by NetCo to TIM and by TIM to NetCo following completion of the transaction.

Transaction Agreement: Accounting for the MSA

A Master Service Agreement for the provision of services regarding the use of the network signed between TIM and NetCo, will be effective from the Closing Date.

The revenues and expenses and other items expected to be generated by or otherwise associated with the Master Services Agreement as set forth in these pro forma accounts are based on the form of Master Services Agreement attached to the Transaction Agreement. It is possible that certain modifications to the form of Master Services Agreement may be made on or prior to the closing of the Acquisition and the

entering into of the definitive Master Services Agreement which could impact the adjustments set forth herein respect of the Master Services Agreement.

Pursuant to the MSA, the NetCo Services mainly encompass:

- (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers,
- (ii) B2B (business-to-business) connectivity services such as point-to-point fiber optic connectivity,
- (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers,
- (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo,
- (v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and
- (vi) other minor services.

These services rendered by NetCo have been included in this pro-forma as additional NetCo's Revenues.

The TIM Group will mainly provide:

- (i) mobile telecommunication services,
- (ii) hosting arrangements within TIM Group's data centers
- (iii) access to the corporate network
- (iv) the provisions of IT services supporting NetCo's employees activities and
- (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of fifteen years with a renewal mechanism for an additional term. For more information, see "*Summary—the Transaction—The Master Services Agreement*".

These services rendered by TIM Group to NetCo have been included in this pro-forma as additional NetCo's operating expenses.

The related VAT payables and receivables have not been included in the Pro-Forma adjustments.

Transaction Agreement: Accounting for the TSA

A Transitional Services Agreement ("**TSA**") will be effective from the Closing Date, in order to provide rules for the management and development of the IT systems during NetCo's start-up phase as well as agreements for the provision of necessary general services by TIM for NetCo to operate.

The amounts have been estimated based on the available information as of the date of these pro forma financial information, since the negotiation between the parties is still in progress.

For more information, see "*Summary—the Transaction—The Transitional Services Agreement*".

Transaction Agreement: FiberCop Intercompany Loan

As part of the Transaction, any amount outstanding under the FiberCop Intercompany Loan will be repaid to TIM. For the purposes of this pro forma financial information, no pro forma adjustment have been reflected, under the assumption that the FiberCop Intercompany Loan will be repaid with a new loan to be granted to NetCo and having the same interest rate as the interest rate of the FiberCop Intercompany Loan ⁽¹⁾.

(1) *Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance.*

1. 2023 NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

1.1 2023 NetCo Unaudited Combined Pro Forma Carve-Out Income Statement

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Income Statement (Unaudited) a+b+c
		Effects of the Contracts	Other adjustments	
	(Note 1)	(Note 2)	(Note 3)	
Revenues	2,119	1,858		3,977
Other income	92	148		240
Acquisition of goods and services	(833)	(155)	29	(959)
Employee benefits expenses	(1,041)		26	(1,015)
Other operating expenses /Changes in inventories/Internally generated assets	125	(15)		110
EBITDA	462	1,836	55	2,353
Depreciation and amortization/ Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)			(1,573)
Operating profit (loss) (EBIT)	(1,111)	1,836	55	780
Finance income (expenses), net	(336)			(336)
Profit (loss) before tax from continuing Operations	(1,447)	1,836	55	444
Income tax expense	(164)		31	(133)
Profit (loss) from continuing operations	(1,611)	1,836	86	311
Profit (loss) for the year	(1,611)	1,836	86	311

Explanatory notes to 2023 Combined Pro Forma Carve-out Income Statement

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined income statement for the financial year December 31, 2023, taken from the audited NetCo Combined Carve Out Financial Information as at December 31, 2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.

Revenues and Other income generated by the MSA and the TSA are equal to Euro 2,006 million, as reported in the table below:

(millions of Euro)	
	<u>Pro-forma adjustments</u>
MSA Services	
(a) Access	1,373
(b) Assurance	128
(c) Delivery	61
(d) Industrial Colocation	194
(e) Engineering	148

(f) Real Estate and DC	22
(g) Other Services	122
(h) Energy	65
Total MSA Services	2,113
(i) TSA Services	6
Total revenues and other income - gross	2,119
<i>Elimination of previous MSA/TSA contract and Others</i>	<i>(113)</i>
Total Revenues and Other income - net	2,006
<i>Breakdown as follow:</i>	
Revenues	1,858
Other income	148

(a) Access

The pro-forma adjustment amounts to Euro 1,373 million and includes the fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and average quantities for the period extracted from operational systems.

(b) Assurance

The pro-forma adjustment amounts to Euro 128 million and includes the fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) and average quantities for the period extracted from operational systems.

(c) Delivery

The pro-forma adjustment amounts to Euro 61 million and includes the fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation

The pro-forma adjustment amounts to Euro 194 million and includes the fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation revenues have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA.

(e) Engineering

The pro-forma adjustment amounts to Euro 148 million and includes the fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC

The pro-forma adjustment amounts to Euro 22 million and includes the fees for rental of office and data center spaces and related utilities. Revenues have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA.

(g) Other Services

The pro-forma adjustment amounts to Euro 122 million and includes the fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul revenues refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by MSA and the quantities are extracted from operational system.
- KIT VULA revenues include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM.
- Legacy Voice Revenues are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Revenues have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices.
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 65 million and includes the fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy revenues are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA Services - IT OSS

The pro-forma adjustment amounts to Euro 6 milion and includes the fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Costs incurred by NetCo and arising under the MSA and the TSA are equal to Euro 170 million, as reported in the table below:

<i>(millions of Euro)</i>	Total adjustments
MSA services	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	53
Total MSA Services	135
(e) TSA services	35
Total	170
<i>Breakdown as follow:</i>	
Acquisition of goods and services	155
Other operating expenses /Changes in inventories/Internally generated assets	15

(a) Data center and central spaces

The pro-forma adjustment amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile

The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by Netco for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the "Rete Dati di Gruppo" ("RDG"). RDG is TIM's corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the Number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS - Communication and Collaboration Services

The pro-forma adjustment amounts to Euro 23 million and includes the fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS- Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream

The pro-forma adjustment amounts to Euro 53 million and includes the fees the IP transport needed to implement the OLO's wholesale services that require IP bandwidth. The total cost is determined as sum

of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 35 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems.
- The Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations ("PdL"), data/information, as well as the management of accounts cycle of NetCo.
- The Cyber Security & SOC Services that shall be provided by TIM to NetCo.
- The Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law ("Codice delle Comunicazioni"), regarding judicial requests required by operation of law for telecommunication operators.
- ICT Risk management.
- Accounting Support.
- Tax.
- Payroll.
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Note 3 – Other adjustments

Costs related to other adjustments are equal to Euro 55 million, as reported in the table below:

<i>(millions of Euro)</i>	Pro-forma adjustments MOS/MOI
Acquisition of goods and services	29
Employee benefits expenses	26
Total other adjustments	55

MOS/MOI

The pro-forma adjustment amounts to Euro 55 million and relates to the deferred expenses adjustment relating to external (i.e. acquisition of goods and services) and internal (i.e. employee benefits expenses) costs corresponding to 7/8 of activation costs towards TIM.

Income tax expenses

Income tax expenses of the 2023 NetCo Pro Forma Combined Income Statement amount to Euro 133 million, calculated applying the IRES notional tax rate (24%) to the *Pro Forma Combined Profit before tax from continuing operations* and the IRAP notional tax rate (4.5%) to the *Pro Forma Combined Operating profit (EBIT)*. Therefore, the Pro Forma adjustment on the Income tax expenses has been determined as difference between the amount above described and the historical income tax expenses of the NetCo Combined Carve out.

2023 NetCo Unaudited Combined Pro Forma Carve-Out Statement of Financial Position

(millions of Euro)	Historical results of NetCo carve out (Audited) a	Pro forma adjustments		NetCo Combined Pro Forma Statement of Financial Position (Unaudited) a+b+c
		Effects of the Contracts b	Other adjustements c	
	(Note 1)	(Note 2)	(Note 3)	
Goodwill				
Intangible assets with a finite useful life	239			239
Property, plant and equipment owned	9,720	(15)		9,705
Right of Use assets	2,537			2,537
Other non-current assets				
Other non-current financial assets	80			80
Miscellaneous receivables and other non-current assets	525		47	572
Deferred tax assets	65			65
Total non-current assets	13,166	(15)	47	13,198
Inventories	43			43
Trade and miscellaneous receivables and other current assets	866	334	714	1,914
Current financial assets	276			276
Total current assets	1,185	334	714	2,233
Total assets	14,351	319	761	15,431
Non-current financial liabilities for financing contracts and others	3,571			3,571
Non-current financial liabilities for lease contracts	2,075			2,075
Employee benefits	305			305
Deferred tax liabilities	20			20
Provisions	223			223
Miscellaneous payables and other non-current liabilities	582			582
Total Non-current liabilities	6,776			6,776
Current financial liabilities for financing contracts and others	13			13
Current financial liabilities for lease contracts	253			253
Trade and miscellaneous payables and other current liabilities	1,951	23	742	2,716
Income tax payables	2			2
Total Current Liabilities	2,219	23	742	2,984
Total Liabilities	8,995	23	742	9,760
Invested capital	5,356	296	19	5,671
Total Liabilities and Invested capital	14,351	319	761	15,431

Explanatory notes to 2023 Combined Pro Forma Carve-out Statement of Financial Position

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined statement of financial position for the financial year December 31, 2023, taken from the audited NetCo Combined Carve Out Financial Information as at December 31, 2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.

In particular:

- Euro 14.9 million refer to IRUs granted from NetCo to TIM in accordance with the MSA and related to (i) backbone, (ii) backhauling and (iii) P2P connections;
- Euro 334.3 million refer to estimation of trade receivables connected to the MSA. Trade receivables have been calculated by applying a 60 days DSO, equal to the collection terms provided by the MSA, to the MSA pro-forma revenues adjustment;
- Euro 23 million refer to estimation of trade payables connected to the acquisition of good and services accordingly with the MSA. Trade payables have been calculated by applying a 60 days DPO, equal to the payment terms provided by the MSA, to the MSA pro-forma costs adjustment.

Note 3 – Other adjustments

This column presents the pro-forma adjustments mainly referred to the following items:

- Payables and Receivables, associated with the advanced payment on NRRP tenders, still under discussion and legal analysis. In particular:
 - at the end of 2023 TIM collected from Infratel Italia S.p.A. (the in-house company of the Ministry of Economic Development and the implementing party of the Government's Broadband and Ultra-Broadband Plans, hereinafter "Infratel") Euro 758 million referred to all the three tenders awarded (Italia 1 Giga, 5G Backhauling, 5G Coverage), representing around 30% of the total grant for the three Plans and setting forth a progressive recovery method. The advances collected has been recognized by TIM in the TIM Group Audited Consolidated Financial Statements within Cash and cash equivalents and Short-term financial receivables, against Miscellaneous payables towards Infratel. As a condition precedent for the disbursement of such advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest. These guarantees were issued on behalf of TIM by banks and insurance companies on December 21 and 22, 2023;
 - for the purposes of the preparation of NetCo Combined Pro Forma Carve-out, the advanced payments pertaining to the tenders that, according to the Transaction Agreement, are to be transferred (estimated Euro 706 million), have been reflected as receivables and payables, which represent the advanced payments received from Infratel and related obligations as of December 31, 2023; allocations of the advances received have been made on the basis of the agreed treatment of the NRRP tenders in the Transaction Agreement. The discussions between TIM, NetCo/Optics and Infratel about the terms and the allocation of the advances are still ongoing as at the date of this document.
- Euro 55 million relating to the deferred expenses costs corresponding to 7/8 of the activation costs, of which non current Euro 47 million and current Euro 8 million.
- Euro 36 million in Trade and miscellaneous payables and other current liabilities.

1.2 2023 Additional pro-forma financial information

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

<i>(Pro Forma)</i>	For the year ended December 31,	
<i>(millions of Euro)</i>	2023	2022
	(unaudited)	
EBITDA	2,353	2,208
Estimated normalization items ⁽¹⁾	(52)	(59)
Non-recurring expenses ⁽²⁾	17	13
Lease payments ⁽³⁾	(370)	(351)
Organic EBITDA-AL^(*)	1,948	1,812

(*) This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation or used as an alternative to other indicators of NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) **Estimated normalization items** refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

- certain personnel costs relating to the social shock absorbers (*contratto di espansione*) incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to Euro 37 million and Euro 42 million for the years ended December 31, 2023 and 2022, respectively;
- provision accruals for litigations & disputes and related legal costs amounted to Euro 10 million and Euro 9 million for the years ended December 31, 2023 and 2022, respectively; and
- provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to Euro 5 million and Euro 8 million for the years ended December 31, 2023 and 2022, respectively.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial Information included elsewhere in the Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business⁽²⁾.

(2) Risk Factors—Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance" and "—NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors.

- (2) **Non-recurring expenses** relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Specifically, non-recurring events for the year ended December 31, 2022 and 2023 mainly include:
- a) expenses related to COVID emergency prevention;
 - b) write-off, in 2023, of a positive income related to a Telenergia dispute; and
 - c) Personnel costs related to training.
- (3) **Lease payments** refer to the actual cash outflows incurred in the year related to lease contracts.

NetCo Combined Pro-forma Reclassified Statement of Financial Position

The following table presents the NetCo Combined Pro-Forma Reclassified Statement of Financial Position as of December 31, 2023:

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Statement of Financial Position (Unaudited) (a+b+c)
		Effects of the Contracts	Other adjustments	
	(a)	(b)	(c)	
Intangible assets with a finite useful life	239			239
Property, plant and equipment owned	9,720	(15)		9,705
Right of Use assets	2,537			2,537
Miscellaneous receivables and other non-current assets	525		47	572
Deferred tax assets	65			65
Total non-current assets	13,086	(15)	47	13,118
Inventories	43			43
Trade and miscellaneous receivables and other current assets	866	334	714	1,914
Employee benefits	(305)			(305)
Deferred tax liabilities	(20)			(20)
Provisions	(223)			(223)
Miscellaneous payables and other non-current liabilities	(582)			(582)
Trade and miscellaneous payables and other current liabilities	(1,951)	(23)	(742)	(2,716)
Income tax payables	(2)			(2)
Net Working Capital	(2,174)	311	(28)	(1,891)
Net Invested Capital	10,912	296	19	11,227
Net Financial Debt	5,556			5,556
Invested capital	5,356	296	19	5,671
Total	10,912	296	19	11,227

NetCo Pro-forma Net Financial Debt - After Lease

The following table presents the detail of the NetCo Pro-Forma Net Financial Position as of December 31, 2023:

(millions of Euro)	Historical results of NetCo carve out (Audited) (a)	Pro forma adjustments		NetCo Combined Pro Forma Statement of Financial Position (Unaudited) (a+b+c)
		Effects of the Contracts (b)	Other adjustments (c)	
Amounts due to banks and other financial payables	3,584	-	-	3,584
Financial liabilities for lease contracts (a)	2,328	-	-	2,328
Gross financial debt	5,912	-	-	5,912
Financial receivables arising from lease contracts (b)	(181)	-	-	(181)
Financial receivables and other financial assets	(23)	-	-	(23)
Cash and cash equivalents	(152)	-	-	(152)
Financial assets	(356)	-	-	(356)
Net Financial Debt	5,556	-	-	5,556
Leases (a+b)	(2,147)	-	-	(2,147)
Net Financial Debt - After Lease	3,409	-	-	3,409

2022 NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

1.3 2022 NetCo Unaudited Combined Pro Forma Carve-Out Income Statement

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Income Statement (Unaudited) a+b+c
		Effects of the Contracts	Other adjustments	
	a (Note 1)	b (Note 2)	c (Note 3)	
Revenues	1,896	1,962		3,858
Other income	99	145		244
Acquisition of goods and services	(826)	(158)	23	(961)
Employee benefits expenses	(1,056)		6	(1,050)
Other operating expenses /Changes in inventories/Internally generated assets	132	(15)		117
EBITDA	245	1,934	29	2,208
Depreciation and amortization/ Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,535)			(1,535)
Operating profit (loss) (EBIT)	(1,290)	1,934	29	673
Finance income (expenses), net	(239)			(239)
Profit (loss) before tax from continuing Operations	(1,529)	1,934	29	434
Income tax expense	(182)		52	(130)
Profit (loss) from continuing operations	(1,711)	1,934	81	304
Profit (loss) for the year	(1,711)	1,934	81	304

Explanatory notes to 2022 Combined Pro Forma Carve-Out Income Statements

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined income statement for the financial year December 31, 2022, taken from the NetCo Combined Carve Out Financial Information as at December 31, 2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2022.

Revenues and Other income generated by the MSA and the TSA are equal to Euro 2,107 million, as reported in the table below:

(millions of Euro)	
	Pro-forma adjustments
MSA Services	
(a) Access	1,469
(b) Assurance	133
(c) Delivery	62
(d) Industrial Colocation	193
(e) Engineering	145
(f) Real Estate and DC	22

(g) Other Services	127
(h) Energy	63
Total MSA Services	2,214
(i) TSA Services	6
Total revenues and other income - gross	2,220
<i>Elimination of previous MSA/TSA contract and Others</i>	<i>(113)</i>
Total Revenues and Other income - net	2,107
<i>Breakdown as follow:</i>	
<i>Revenues</i>	<i>1,962</i>
<i>Other income</i>	<i>145</i>

(a) Access

The pro-forma adjustment amounts to Euro 1,469 million and includes the fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and average quantities for the period extracted from operational systems.

(b) Assurance

The pro-forma adjustment amounts to Euro 133 million and includes the fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) average quantities for the period extracted from operational systems.

(c) Delivery

The pro-forma adjustment amounts to Euro 62 million and includes the fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation

The pro-forma adjustment amounts to Euro 193 million and includes the fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation revenues have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA.

(e) Engineering

The pro-forma adjustment amounts to Euro 145 million and includes the fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC

The pro-forma adjustment amounts to Euro 22 million and includes the fees for rental of office and data center spaces and related utilities. Revenues have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA.

(g) Other Services

The pro-forma adjustment amounts to Euro 127 million and includes the fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul revenues refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by NetCo MSA and the quantities are extracted from operational system
- KIT VULA revenues include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM.
- Legacy Voice Revenues are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Revenues have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices.
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 63 million and includes the fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy revenues are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA - IT OSS Transitional Service

The pro-forma adjustment amounts to Euro 6 milion and includes the fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Costs incurred by NetCo and arising under the MSA and the TSA are equal to Euro 173 million, as reported in the table below:

<i>(millions of Euro)</i>	Total adjustments
MSA services	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	61
Total MSA Services	143
(e) TSA services	30
Total acquisition of goods and services	173
<i>Breakdown as follow:</i>	
<i>Acquisition of goods and services</i>	158
<i>Other operating expenses /Changes in inventories/Internally generated assets</i>	15

(a) Data center and central spaces

The pro-forma adjustment in question amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the NetCo MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile

The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by Netco for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the "Rete Dati di Gruppo" ("RDG"). RDG is TIM's corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the Number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS- Communication and Collaboration Services

The pro-forma adjustment amounts to Euro 23 million which include fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS-Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream

The pro-forma adjustment amounts to Euro 61 million and includes the fees for the IP transport needed to implement the OLO's wholesale services that require IP bandwidth. The total cost is determined as sum

of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 30 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems.
- The Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations ("PdL"), data/information, as well as the management of accounts cycle of NetCo.
- The Cyber Security & SOC Services that shall be provided by TIM to NetCo.
- The Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law ("Codice delle Comunicazioni"), regarding judicial requests required by operation of law for telecommunication operators.
- ICT Risk management.
- Accounting Support.
- Tax.
- Payroll.
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Note 3 – Other adjustments

Costs related to other adjustments are equal to Euro 29 million, as reported in the table below:

<i>(millions of Euro)</i>	<i>Pro-forma adjustments MOS/MOI</i>
Acquisition of goods and services	24
Employee benefits expenses	5
Total other adjustments	29

MOS/MOI

The pro-forma adjustment in amounts to Euro 29 million and relates to the deferred expenses adjustment relating to external (i.e. acquisition of goods and services) and internal (i.e. employee benefits expenses) costs corresponding to 7/8 of activation costs towards TIM.

Income tax expenses

Income tax expenses of the 2022 NetCo Pro Forma Combined Income Statement amount to Euro 130 million, calculated applying the IRES notional tax rate (24%) to the *Pro Forma Combined Profit before tax from continuing operations* and the IRAP notional tax rate (4.5%) to the *Pro Forma Combined Operating profit (EBIT)*. Therefore, the Pro Forma adjustment on the Income tax expenses has been determined as difference between the amount above described and the historical income tax expenses of the NetCo Combined Carve out.

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TIM GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	notes	12.31.2023	of which with related parties	12.31.2022	of which with related parties
Non-current assets					
Intangible assets					
Goodwill	5)	19,170	—	19,111	—
Intangible assets with a finite useful life	6)	7,122	—	7,656	—
		26,292	—	26,767	—
Tangible assets	7)				
Property, plant and equipment owned		14,692	—	14,100	—
Rights of use assets	8)	5,515	51	5,488	38
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	9)	537	—	539	—
Other investments	9)	140	—	116	—
Non-current financial receivables arising from lease contracts	10)	112	64	49	1
Other non-current financial assets	10)	1,103	—	1,602	—
Miscellaneous receivables and other non-current assets	11)	2,187	2	2,365	1
Deferred tax assets	12)	701	—	769	—
		4,780	—	5,440	—
Total Non-current assets	(a)	51,279	—	51,795	—
Current assets					
Inventories	13)	345	—	322	—
Trade and miscellaneous receivables and other current assets	14)	4,699	94	4,539	81
Current income tax receivables		191	—	147	—
Current financial assets	10)				
<i>Current financial receivables arising from lease contracts</i>		162	53	69	11
<i>Securities other than investments, other financial receivables and other current financial assets</i>		2,571	—	1,600	—
<i>Cash and cash equivalents</i>		2,912	—	3,555	—
		5,645	—	5,224	—
Current assets sub-total		10,880	—	10,232	—
Discontinued operations /Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current assets	(b)	10,880	—	10,232	—
Total Assets	(a+b)	62,159	—	62,027	—

Equity and liabilities

(million euros)	notes	12.31.2023	of which with related parties	12.31.2022	of which with related parties
Equity	15)				
Share capital issued		11,677	—	11,677	—
less: Treasury shares		(57)	—	(63)	—
Share capital		11,620	—	11,614	—
Additional paid-in capital		575	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		1,451	—	1,314	—
Equity attributable to owners of the Parent		13,646	—	15,061	—
Non-controlling interests		3,867	—	3,664	—
Total Equity		17,513	—	18,725	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	16)	21,284	—	21,739	—
Non-current financial liabilities for lease contracts	16)	4,743	2	4,597	10
Employee benefits	21)	511	—	684	—
Deferred tax liabilities	12)	83	—	84	—
Provisions	22)	679	—	910	—
Miscellaneous payables and other non-current liabilities	23)	1,326	19	1,146	21
Total Non-current liabilities	(d)	28,626		29,160	
Current liabilities					
Current financial liabilities for financing contracts and others	16)	5,771	2	5,039	—
Current financial liabilities for lease contracts	16)	838	3	870	13
Trade and miscellaneous payables and other current liabilities	24)	9,384	123	8,199	149
Income tax payables	12)	27	—	34	—
Current liabilities sub-total		16,020		14,142	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	(e)	16,020	—	14,142	—
Total Liabilities	(f=d+e)	44,646	—	43,302	—
Total Equity and Liabilities	(c+f)	62,159	—	62,027	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	notes	Financial year 2023	of which with related parties	Financial year 2022	of which with related parties
Revenues	26)	16,296	356	15,788	171
Other income	27)	206	(9)	213	3
Total operating revenues and other income		16,502		16,001	
Acquisition of goods and services	28)	(7,518)	(331)	(7,239)	(491)
Employee benefits expenses	29)	(2,987)	(91)	(3,180)	(100)
Other operating expenses	30)	(872)	—	(816)	—
Change in inventories		47	—	22	—
Internally generated assets	31)	538	—	559	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		5,710		5,347	
<i>of which: impact of non-recurring items</i>	42)	(673)		(682)	
Depreciation and amortization		(4,863)	(5)	(4,777)	(33)
Gains (losses) on disposals of non-current assets		(11)	—	36	—
Impairment reversals (losses) on non-current assets		—	—	—	—
Operating profit (loss) (EBIT)		836		606	
<i>of which: impact of non-recurring items</i>	42)	(676)		(682)	
Share of losses (profits) of associates and joint ventures accounted for using the equity method	9)	(29)	—	23	—
Other income (expenses) from investments		53	—	206	—
Finance income	36)	1,095	—	1,115	—
Finance expenses	36)	(2,835)	(4)	(2,538)	(12)
Profit (loss) before tax from continuing operations		(880)		(588)	
<i>of which: impact of non-recurring items</i>	42)	(669)		(490)	
Income tax expense	12)	(227)	—	(2,066)	—
Profit (loss) from continuing operations		(1,107)		(2,654)	
Profit (loss) from Discontinued operations/Non-current assets held for sale		—		—	
Profit/(Loss) for the year	37)	(1,107)		(2,654)	
<i>of which: impact of non-recurring items</i>	42)	(670)		(2,437)	
Attributable to:					
Owners of the Parent		(1,441)		(2,925)	
Non-controlling interests		334		271	

(euros)	Financial year 2023	Financial year 2022
Earnings per share:	38)	
Basic and Diluted Earnings Per Share (EPS)		
Ordinary Share	(0.07)	(0.14)
Savings Share	(0.07)	(0.14)
<i>of which:</i>		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	(0.07)	(0.14)
Savings Share	(0.07)	(0.14)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 15

(million euros)

	Financial year 2023	Financial year 2022
Profit/(Loss) for the year	(1,107)	(2,654)
Other components of the Consolidated Statement of Comprehensive Income		
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement		
Financial assets measured at fair value through other comprehensive income:		
Profit (loss) from fair value adjustments	3	(2)
Income tax effect	—	—
	3	(2)
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	(8)	77
Income tax effect	—	(17)
	(8)	60
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:		
Profit (loss)	—	—
Income tax effect	—	—
	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(5)	58
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	43	(130)
Loss (profit) transferred to Separate Consolidated Income Statement	(9)	21
Income tax effect	(1)	4
	33	(105)
Hedging instruments:		
Profit (loss) from fair value adjustments	(382)	488
Loss (profit) transferred to Separate Consolidated Income Statement	192	(235)
Income tax effect	45	(61)
	(145)	192
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	189	597
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	—	—
Income tax effect	—	—
	189	597
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	—	—
	—	—
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	77	684
Total other components of the Consolidated Statement of Comprehensive Income	72	742
Total comprehensive income (loss) for the year	(1,035)	(1,912)
Attributable to:		
Owners of the Parent	(1,432)	(2,365)
Non-controlling interests	397	453

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2022 to December 31, 2022

(million euros)	Equity attributable to owners of the Parent								Total	Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year			
Balance at December 31, 2021	11,614	2,133	49	(128)	(2,500)	(130)	—	6,376	17,414	4,625	22,039
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	—	(86)	(86)
Total comprehensive income (loss) for the year	—	—	(107)	193	415	59	—	(2,925)	(2,365)	453	(1,912)
Issue of equity instruments	—	—	—	—	—	—	—	6	6	—	6
Daphne3 - deconsolidation	—	—	—	—	—	—	—	—	—	(1,332)	(1,332)
Other changes	—	—	—	—	—	—	—	6	6	4	10
Balance at December 31, 2022	11,614	2,133	(58)	65	(2,085)	(71)	—	3,463	15,061	3,664	18,725

Changes from January 1, 2023 to December 31, 2023 Note 15

(million euros)	Equity attributable to owners of the Parent								Total	Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year			
Balance at December 31, 2022	11,614	2,133	(58)	65	(2,085)	(71)	—	3,463	15,061	3,664	18,725
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	—	(197)	(197)
Total comprehensive income (loss) for the year	—	—	36	(145)	126	(8)	—	(1,441)	(1,432)	397	(1,035)
Disposal of treasury shares under the LTI Plan	6	—	—	—	—	—	—	(6)	—	—	—
Equity instruments	—	—	—	—	—	—	—	2	2	—	2
Other changes	—	(1,558)	—	—	—	—	—	1,573	15	3	18
Balance at December 31, 2023	11,620	575	(22)	(80)	(1,959)	(79)	—	3,591	13,646	3,867	17,513

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)

	notes	Financial year 2023	Financial year 2022
Cash flows from operating activities:			
Profit (loss) from continuing operations		(1,107)	(2,654)
Adjustments for:			
Depreciation and amortization		4,863	4,777
Impairment losses (reversals) on non-current assets (including investments)		(6)	9
Net change in deferred tax assets and liabilities		148	2,645
Losses (gains) realized on disposals of non-current assets (including investments)		(35)	(242)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		29	(23)
Change in employee benefits		(291)	156
Change in inventories		(31)	(35)
Change in trade receivables and other net receivables		(39)	(81)
Change in trade payables		191	484
Net change in income tax receivables/payables		(21)	(478)
Net change in miscellaneous receivables/payables and other assets/liabilities		243	337
Cash flows from (used in) operating activities	(a)	3,944	4,895
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(3,969)	(6,305)
Contributions for plants received		758	3
Acquisition of control of companies or other businesses, net of cash acquired		19	(1,316)
Acquisitions/disposals of other investments		(49)	(26)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(1)	(919)	969
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	1,278
Proceeds from sale/repayments of intangible, tangible and other non-current assets		11	62
Cash flows from (used in) investing activities	(b)	(4,149)	(5,335)
Cash flows from financing activities:			
Change in current financial liabilities and other		241	(436)
Proceeds from non-current financial liabilities (including current portion)		4,037	2,288
Repayments of non-current financial liabilities (including current portion)		(4,607)	(4,615)
Change in hedging and non-hedging derivatives		68	(36)
Share capital proceeds/reimbursements (including subsidiaries)		—	2
Dividends paid(*)		(189)	(68)
Changes in ownership interests in consolidated subsidiaries		(6)	(4)
Cash flows from (used in) financing activities	(c)	(456)	(2,869)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	—	—
Aggregate cash flows	(e=a+b+c+d)	(661)	(3,309)
Net cash and cash equivalents at beginning of the year	(f)	3,555	6,904
Net foreign exchange differences on net cash and cash equivalents	(g)	18	(40)
Net cash and cash equivalents at end of the year	(h=e+f+g)	2,912	3,555
(*) of which from related parties		—	—

(1) This item includes investments in marketable securities amounting to 2,342 million euros in 2023 (3,042 million euros in 2022) and redemptions of marketable securities amounting to 1,995 million euros in 2023 (3,924 million euros in 2022), relating to TIM S.A. and Telecom Italia Finance S.A..

Purchase of intangible, tangible and rights of use assets

(million euros)	notes	Financial year 2023	Financial year 2022
Purchase of intangible assets	6)	(912)	(1,128)
Purchase of tangible assets	7)	(2,941)	(2,828)
Purchase of rights of use assets	8)	(1,216)	(953)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(5,069)	(4,909)
Change in payables arising from purchase of intangible, tangible and rights of use assets		1,100	(1,396)
Total purchases of intangible, tangible and rights of use assets on a cash basis		(3,969)	(6,305)
(*) of which from related parties		66	71

Additional Cash Flow information

(million euros)	Financial year 2023	Financial year 2022
Income taxes (paid) received	(117)	164
Interest expense paid	(2,103)	(1,668)
Interest income received	597	562
Dividends received	20	155

Analysis of Net Cash and Cash Equivalents

(million euros)	Financial year 2023	Financial year 2022
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	3,555	6,904
Bank overdrafts repayable on demand - from continuing operations	—	—
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	—	—
	3,555	6,904
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	2,912	3,555
Bank overdrafts repayable on demand - from continuing operations	—	—
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	—	—
	2,912	3,555

The supplementary disclosures required by IAS 7 are provided in Note 17 “Net financial debt”.

NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the “**TIM Group**” (the “**Group**”).

TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company’s bylaws, extends until December 31, 2100.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group’s Consolidated Financial Statements at December 31, 2023, have been prepared on a going concern basis (further details are provided in the Note “Accounting Policies”) and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “IFRS”), as well as laws and regulations in force in Italy.

In 2023, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2023. See the Note “Accounting policies” for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect the changes in fair value of the hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2023 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2023 of the TIM Group was approved by resolution of the Board of Directors on March 6, 2024.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. More specifically:

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the “current and non-current” criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group’s industrial sector.

In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). This indicator represents a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) 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	

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of property, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory sanctions and related liabilities; other provisions and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on goodwill and/or other intangible and tangible assets.

Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources (for the TIM Group, the Board of Directors of the Parent) to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

The TIM Group operating segments are in line with and continuing on from the information given in the Consolidated Annual Financial Report at December 31, 2022, are represented for the part relating to the telecommunications business, on the basis of the related geographic location (Domestic and Brazil).

The term "operating segment" is considered synonymous with "Business Unit".

The operating segments of the TIM Group are as follows:

- **Domestic:** includes the activities in Italy relating to voice and data services on fixed and mobile networks for end users (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the provision of passive access services on the secondary copper and fiber network, and the activities of Noovle S.p.A. (Cloud and Edge Computing solutions), the activities of Olivetti (products and services for Information Technology), and, Domestic sector support structures. See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In the course of 2024, once the Group's transformation process aimed at overcoming the vertically integrated model has been completed and the sale of TIM's fixed network business ("NetCo") has been completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8, with reference to the specific indications provided for by the standard itself (autonomy of operating flows, methods of allocating financial resources, management reporting, etc.).

NOTE 2

ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2023 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months). In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
 - variations in business conditions, also related to competition;
 - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
 - macroeconomic changes in the Italian, European and Brazilian markets and financial market volatility due to recessionary and inflationary risks. In particular, these risks relate to the increasing costs of raw materials and energy, including as a result of the Russian-Ukrainian conflict;
 - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices); and
 - the outcome of the legal and regulatory authority proceedings.
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized and disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the owners of the parent and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any profit from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their related interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
 - the assets (including any goodwill) and the liabilities;
 - the carrying amount of any non-controlling interest;
- recognizes:
 - the fair value of any consideration received;
 - the fair value of any residual investment retained in the former subsidiary;
 - any profit or loss resulting from the transaction, in the separate consolidated income statement;
 - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

- a) the aggregate of:
- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
 - the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
 - in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;
- b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the related amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value as a provision in the statement of financial position. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

The TIM Group attracts, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (*Impairment of Assets*); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include: obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include: External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times. This was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- **Hold to Collect:** receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category "Assets measured at amortized cost". These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- **Hold to Collect and Sell:** receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- *Hold to Collect*: financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- *Hold to Collect and Sell*: monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- *Hold to Sell*: monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as "financial assets measured at fair value through consolidated profit or loss" (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) as non-current or current assets.

The other investments classified as "financial assets measured at fair value through other comprehensive income" are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value through profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group's portfolio for a period of not more than 12 months, and are classified:

- as "financial assets measured at amortized cost" (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated "Reserve for financial assets measured at fair value through other comprehensive income" is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as "financial assets measured at fair value through consolidated profit or loss" (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;

- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivatives

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the profit or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for hedging instruments). The cumulative profit or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The profit or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in fair value of the liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39. the profits and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the profit or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase and production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or
- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contra-entry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

* * *

During the meeting held on July 6, 2022, TIM's Board of Directors approved the strategic objective of reorganizing the company with a view to overcoming the vertical integration and conferred a mandate on the CEO to assess and submit to the administrative body for all necessary resolutions, any transactions or possible transfer and valuation agreements for certain Group assets, with a view to achieving this strategic objective.

On November 3, 4 and 5, 2023, the Board of Directors of TIM S.p.A., at the outcome of an extensive and thorough review, conducted with the assistance of leading financial and legal advisors, examined and accepted the binding offer submitted on October 16, 2023 by Kohlberg Kravis Roberts & Co. L.P. ("KKR") for the acquisition of TIM's fixed-line network assets and the equity interests held in FiberCop S.p.A. and Telenergia S.r.l. ("NetCo"), by Optics BidCo S.p.A. (a subsidiary of KKR).

In execution of the resolutions adopted, TIM S.p.A. signed the transaction agreement with Optics BidCo which regulates:

- the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia Srl - in FiberCop S.p.A., a company that already manages the activities relating to the network secondary fiber and copper, and
- the simultaneous purchase by Optics BidCo of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself, following the aforementioned transfer.

The transaction agreement provides that on the closing date, master services agreements will be signed, which will regulate the terms and conditions of the services to be rendered between NetCo and TIM S.p.A. following the completion of the transaction.

The transaction agreement also provides that the consideration for the sale of the equity interest may also be partially paid through the transfer of part of the TIM Group's debt at the closing of the NetCo transaction (so-called liability management). On March 6, 2024, TIM's Board of Directors resolved to grant a mandate to the

Chief Executive Officer to implement the activities necessary to carry out the debt transfer transaction by means of a series of exchange offers, concerning certain series of bonds issued by the TIM Group and maturing in 2026.

The completion of the transaction is expected in the summer of 2024, once the preliminary activities have been completed and a number of conditions precedent have been satisfied (completion of the transfer of the primary network, Antitrust authorization, authorization regarding distortive foreign subsidies); the transaction has already obtained the authorization required by the Golden Power rules, as per the press release issued on January 17, 2024.

When these activities are completed and the conditions precedent are fulfilled, NetCo will be classified as an Asset held for sale in accordance with IFRS 5.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity, so calculated, is considered a "Defined benefit plan" and the related liability to be recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to maturity. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year such liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** takes place when the parties approve the contract (with commercial substance), and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations:** the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price:** this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations:** the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).

For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;

- **recognition of revenues:** revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:

- **Revenues from services rendered**

Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.

Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.

Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.

Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.

The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products (smartphones and tablets) and certain types of fixed-line products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.

Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income tax expense is calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income tax expense is recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related notes in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	Accounting estimates
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The estimate of expected cash flows took into account the risks arising from climate change (as explained in the section 'Main Risks and Uncertainties - Risks Related to Key Sustainability Issues' in the Report on Operations), which at present do not have a significant impact on the Group's business model. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset - whether tangible or intangible with finite useful lives or a right of use - has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. The estimate of expected cash flows took into account the risks arising from climate change (as explained in the section 'Main Risks and Uncertainties - Risks Related to Key Sustainability Issues' in the Report on Operations), which at present do not have a significant impact on the Group's business model. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.

Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The provisions related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparties. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2023

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2023.

Amendments to IFRS 17 - Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information

On September 8, 2022, Regulation (EU) 2022/1491 was issued, incorporating certain amendments relating to the presentation of comparative information about financial assets upon initial application of IFRS 17 *Insurance Contracts*.

The amendment allows for a transition option enabling entities to apply an optional classification overlay in the comparative period(s) presented upon the initial application of IFRS 17. The overlay allows all financial assets, including those held with respect to assets not related to contracts within the scope of IFRS 17, to be classified instrument by instrument in the comparative period(s) in such a way as to align with how the entity expects those assets to be classified upon the initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

IFRS 17, which implements the amendment, came into force for financial years beginning on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On March 2, 2022, Regulation (EU) 2022/357 was issued, incorporating certain amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, in which it introduces a new definition of "accounting estimates".

In the amended standard, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments clarify what constitutes changes in accounting estimates and how these differ from changes in accounting policies and corrections of errors.

The changes came into effect for financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 12 *Income Taxes*: Deferred tax related to assets and liabilities arising from a single transaction

On August 11, 2022, Regulation (EU) 2022/1392 was issued, incorporating certain amendments to IAS 12 *Income Taxes*.

The amendments clarify how companies are to account for deferred taxes on leases and decommissioning/restoration costs.

IAS 12 specifies how companies are to account for income taxes, including deferred taxes, which are the amounts of taxes payable or recoverable in the future.

These amendments require entities to recognise deferred taxes on certain transactions (such as leases and decommissioning and restoration charges) that give rise to taxable and deductible temporary differences of the same amount at the time of initial recognition.

IAS 12 provides that, under certain circumstances, companies are exempt from reporting deferred taxes when they recognise assets or liabilities for the first time.

The IASB has issued these limited amendments on account of the uncertainty arising through the fact that the exemption applies to leases and decommissioning/restoration obligations.

These amendments mean that the exemption granted in the principle will not now apply to leases and decommissioning/restoration obligations, with companies now required to recognise deferred tax assets and liabilities in these areas.

The changes came into effect on January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 1 - Presentation of Financial Statements

On March 2, 2022, Regulation (EU) 2022/357 was issued, incorporating certain amendments to IAS 1 *Presentation of Financial Statements* in which guidelines and examples are provided to help entities carry out materiality assessments for the purposes of disclosing accounting policies.

The IASB has also issued amendments to "IFRS Practice Statement 2 - Making Materiality Judgements (the PS)" to support the amendments to IAS 1, which explain and demonstrate how the "4 step materiality process" applies to disclosures of accounting policies.

In particular, the amendments aim to help entities provide more useful disclosures of accounting policies by:

- replacing the requirement for entities to disclose their "significant" accounting policies with the provision to disclose their "material" accounting policies; and
- adding guidance on how entities should apply the concept of "materiality" when deciding how to disclose their accounting policies.

The changes came into effect for financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 12 Income taxes: International Tax Reform - 'Pillar Two Model' Rules

On November 8, 2023, Regulation (EU) 2023/2468 was issued, incorporating certain amendments to IAS 12 *Income Taxes: International Tax Reform - 'Pillar Two Model'* rules. The amendments introduce:

- a temporary exception from the obligation to account for deferred taxes arising from the implementation of the pillar two model rules; and
- targeted disclosure requirements for affected entities to help users of financial statements understand an entity's exposure to Pillar Two income taxes arising from that legislation.

The amendments clarify that IAS 12 applies to income taxes arising from tax legislation implementing the OECD's Pillar Two model rules, which address the tax issues arising from the digitalization of the global economy (Base Erosion and Profit Shifting - BEPS). These rules apply to multinational enterprises (MNEs) with consolidated annual revenues of more than 750 million euros). The tax legislation in question and the income taxes resulting from it are referred to as "Pillar Two legislation" and "Pillar Two income taxes" respectively. The amendments introduce a mandatory exception to IAS 12 when it comes to recognising and disclosing deferred Pillar Two income tax assets and liabilities.

This temporary exception exempts entities from accounting for deferred tax under the new and complex Pillar Two tax legislation, giving affected parties time to assess the implications.

The temporary exception to recognising and disclosing deferred taxes and the obligation to disclose that this exception is being used applies immediately and retroactively with respect to the issue date of the amendments.

The disclosure of the current Pillar Two income tax liability and disclosures relating to periods before the entry into force of the legislation is required for tax years that began on or after January 1, 2023, but is not required for interim periods ending on or before December 31, 2023.

The TIM Group has applied the exception to the recognition and disclosure of deferred tax assets and liabilities, therefore, the adoption of these changes had no impact on the consolidated financial statements as at December 31, 2023.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 7: Statements of Cash Flows and IFRS 7 Financial Instruments: Supplementary disclosures	1/1/2024
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	1/1/2025
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : non-current liabilities with covenants	1/1/2024
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024

Any impacts on the Group's consolidated financial statements resulting from the application of these new Standards/Interpretations are currently being assessed; However, it is considered that they are not significant with respect to financial and economic results.

NOTE 3

SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation. A complete list of consolidated subsidiaries is provided in Note 46 "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2023 compared to December 31, 2022 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
TS-WAY S.r.l.	New acquisition	Domestic	April 2023
Exit:			
NOOVLE SLOVAKIA S.R.O.	Liquidated	Domestic	March 2023
TIM SERVIZI DIGITALI S.p.A.	Sold	Domestic	August 2023
TIESSE S.c.p.A.	Liquidated	Domestic	October 2023
TIAUDIT COMPLIANCE LATAM S.A.	Liquidated	Other Operations	October 2023
Mergers:			
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A.	Merged into TIM S.A.	Brazil	April 2023

The breakdown by number of subsidiaries, associates and joint ventures of the TIM Group is as follows:

Companies:	12.31.2023		
	Italy	Outside Italy	Total
subsidiaries consolidated line-by-line	19	43	62
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	11	1	12
Total companies	32	44	76

Companies:	12.31.2022		
	Italy	Outside Italy	Total
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	34	47	81

Further details are provided in the Note "List of companies of the TIM Group".

Subsidiaries with a significant non-controlling interest

At December 31, 2023, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A. and the TIM Brasil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2022 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12.31.2023	12.31.2022
Non-current assets	9,991	9,187
Current assets	707	515
Total Assets	10,698	9,702
Non-current liabilities	3,942	3,376
Current liabilities	966	800
Total Liabilities	4,908	4,176
Equity	5,790	5,526
<i>of which Non-Controlling Interests</i>	<i>2,432</i>	<i>2,321</i>

FiberCop S.p.A. - income data

(million euros)	2023	2022
Revenues	1,451	1,344
Profit (loss) for the year	409	458
<i>of which Non-Controlling Interests</i>	<i>172</i>	<i>192</i>

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2023 was positive for 92 million euros (in 2022: -37 million euros).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2023 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12.31.2023	12.31.2022
Non-current assets	8,596	8,649
Current assets	2,238	1,925
Total Assets	10,834	10,574
Non-current liabilities	3,832	3,157
Current liabilities	2,565	2,420
Total Liabilities	6,397	5,577
Equity	4,437	4,997
<i>of which Non-Controlling Interests</i>	<i>1,646</i>	<i>1,545</i>

Income statement data TIM Brasil group

(million euros)	2023	2022
Revenues	4,412	3,963
Profit (loss) for the year	448	289
<i>of which Non-Controlling Interests</i>	<i>175</i>	<i>102</i>

Financial data of the TIM Brasil group

Aggregate cash flows generated in 2023 amounted to +167 million euros, with a positive exchange rate effect of 20 million euros.

In 2022, this was negative for 369 million euros, with a negative exchange rate difference of 45 million euros.



Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - "Main risks and uncertainties" section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks related to disputes and litigation);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4

BUSINESS COMBINATIONS

Acquisition of control of TS-Way S.r.l.

On April 20, 2023, Telsy S.p.A. (TIM Group's Italian subsidiary engaged in cybersecurity) acquired 100% of the share capital of TS-Way S.r.l., an Italian company specialising in cyber threat intelligence.

The business combination was recognized in the accounts as follows:

- a consideration of 29 million euros;
- all Assets acquired and Liabilities undertaken of the acquired company were measured for recognition at fair value;
- in addition to the value of the Assets acquired and Liabilities undertaken, Goodwill equal to 19 million euros was recognized, determined as follows:

(million euros)		Values at fair value
Valuation of the consideration	(a)	29
Value of assets acquired	(b)	15
Value of liabilities assumed	(c)	(5)
Goodwill	(a-b-c)	19

TS-Way S.r.l. – values at acquisition date

(million euros)		Present values at fair value	Carrying amounts
Goodwill		19	—
Other non-current assets		11	—
Current assets		4	4
<i>of which Cash and cash equivalents</i>		1	1
Total assets	(a)	34	4
Total non-current liabilities		3	—
<i>of which Non-current financial liabilities</i>		—	—
Total current liabilities		2	2
<i>of which Current financial liabilities</i>		—	—
Total liabilities	(b)	5	2
Net assets	(a-b)	29	2

It should also be noted that, if the acquisition of TS-Way S.r.l. had been completed by January 1, 2023, TIM Group's consolidated financial statements for the year ending December 31, 2023 would not have material impacted revenues or the net income for the year attributable to owners of the Parent.

NOTE 5

GOODWILL

Goodwill shows the following breakdown and changes for 2022 and 2023:

(million euros)	12.31.2021	Increase	Decrease	Impairments	Exchange differences	12.31.2022
Domestic	18,124	10				18,134
Brazil	444	502			31	977
Other Operations	—					—
Total	18,568	512	—	—	31	19,111

(million euros)	12.31.2022	Increase	Decrease	Impairments	Exchange differences	12.31.2023
Domestic	18,134	19				18,153
Brazil	977				40	1,017
Other Operations	—					—
Total	19,111	19	—	—	40	19,170

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on at least an annual basis, when preparing the company's consolidated financial statements.

In 2023, Goodwill increased by 59 million euros, from 19,111 million euros at the end of 2022 to 19,170 million euros at December 31, 2023.

In particular:

- the goodwill of the Domestic Cash Generating Unit increased by 19 million euros, almost entirely attributable to the acquisition of control of TS-Way S.r.l.. For further details, please refer to Note 4 "Business combinations";
- the goodwill of the Brazil Cash Generating Unit recorded positive exchange differences of 40 million euros (the point exchange rate used for the conversion of the Brazilian real into euro (expressed in terms of units of local currency per €1) increased from 5.56520 at December 31, 2022 to 5.34964 at December 31, 2023).

The gross carrying amounts of Goodwill and the related accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs) to December 31, 2023 and 2022 can be summarized as follows:

(million euros)	12.31.2023			12.31.2022		
	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Domestic	38,718	(20,565)	18,153	38,699	(20,565)	18,134
Brazil	1,189	(172)	1,017	1,143	(166)	977
Other Operations	—	—	—	—	—	—
Total	39,907	(20,737)	19,170	39,842	(20,731)	19,111

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the net carrying amount of goodwill for the CGU corresponds to 5,439 million reais at December 31, 2023 (5,439 million reais at December 31, 2022).

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, considering the Group's activities as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the "recoverable value" of the CGUs was equal to the higher of "fair value net of disposal costs" and "value in use".

The Domestic CGU operated in 2023 as a single unit, in 2024 the so-called 'NetCo perimeter' (Primary Network - TIM business unit, Secondary Network - Fibercop company perimeter, Telenergia) is expected to be separated, for which the TIM Board of Directors has accepted a binding price proposal (representing the fair value of the perimeter to be sold). The timing of the closing is subject to the necessary authorisation paths (Golden Power authorisation (received in January 2024) and Antitrust authorisation (in progress)) and the implementation and completion of Process and Systems Separation activities.

Therefore, the value configuration used to determine the recoverable value as at December 31, 2023 of the Domestic CGU is the Fair Value estimated on the basis of a valuation obtained by the sum of parts between the NetCo subCGU and the subCGU of the remaining perimeter of the Domestic CGU (the so-called ServiceCo perimeter).

As an estimate of NetCo's recoverable value, the present value (as of December 31, 2023) of the price implicit in the binding offer (price proposal referring to the date of June 30, 2024) by an independent party (KKR) was assumed, and any form of earn-out was excluded from the price.

Instead, the fair value based on the income approach was taken as the estimate of ServiceCo's recoverable value, as it was deemed to better express the value of the Group's assets (so-called market participant perspective), also reflecting the cost interventions in view of a possible future new and different business structure.

For the Brazil CGU, the value configuration used is the fair value on the basis of market capitalization at the end of the period.

The values are expressed in local currency, and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For the Brazil CGU, the recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

For the ServiceCo subCGU, the estimate of fair value on the basis of the income approach was made in compliance with IAS 36, with valuation principles and best practices, with reference to the flows of the 2024-2026 Industrial Plan, which is based on the final results of 2023: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at December 31, 2023. The expected cash flows reported in the 2024-2026 Industrial Plan approved by the Board of Directors have been critically analysed and, with the support of expert appraisers and industry experts, the average representativeness has been assessed. Expected average cash flows for the 2024-2026 Industrial Plan were extrapolated for an additional two years (2027-2028), thus bringing the explicit forecast period for future cash flows to a total of five years (2024-2028). The extrapolation of data for 2027-2028 was necessary, in line with that carried out by the main European incumbents, in order to intercept market, competition and industrial trends that will become manifest beyond the forecast horizon of the Industrial Plan. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

The estimation of the fair value according to the income approach requires the determination of the current value of income beyond the explicit forecast period ("terminal value"). To this end, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2028, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

The cost of capital used to discount projected cash flows in fair value estimates for the ServiceCo subCGU:

- was estimated using the Capital Asset Pricing Model (CAPM), which is one of the generally accepted application criteria referred to in IAS 36;
- reflects current market estimates of the time value of money and the specific risks associated with the asset groups; includes appropriate yield premiums for country risk;
- was calculated using comparative market parameters to estimate the "Beta coefficient" and the weighting coefficient of the equity and debt capital components.

These are reported below for the Domestic subCGU:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- details are also provided of the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic (ServiceCo)
WACC	6.84 %
WACC before tax	8.90 %
Growth rate beyond the explicit period (g)	0.83 %
Capitalization rate after tax (WACC-g)	6.01 %
Capitalization rate before tax (WACC-g)	8.07 %
Capex/Revenues, perpetual	11.90 %

The growth rate in the terminal value “g” of the ServiceCo subCGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiary Noovle. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The recoverable amount of the Domestic cash generating unit, determined on the basis of the Fair Value estimated on the basis of the sum of the parts, showed headroom of 2,107 million euros.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	+2,107	+3,484

Therefore, in light of all the foregoing, in FY 2023, the Goodwill values recognized in the financial statements relating to the Domestic CGU (positive difference of +2,107 million euros) and the Brazil CGU (positive difference of +3,484 million euros) are confirmed.

In detail, in accordance with IAS 36, the sensitivity analysis has been performed aiming to identify the change in key variables (WACC, margins as seen by the ratio of gross operating margin and revenues, growth rate of income in terminal value), which makes the recoverable amount of the Domestic CGU equal to the carrying amount. This analysis is relevant for the subCGU ServiceCo, given the valuation of the Domestic CGU by sum of parts obtained on the basis of the value of the subCGU ServiceCo through an income approach and the valuation of NetCo implied in the value of the binding offer by KKR. The analysis shows that:

- an increase in costs such as to lower the margins of ServiceCo (= gross operating margin/revenues) of 1.64%;
- or a 0.72% rise in the WACC (at the value of 7.56%); or
- a growth rate of income in terminal value of -0.16%;
- would align the recoverable amount with the carrying amount.

With regard to the Brazilian CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -43.04%.

The second level impairment test revealed a recoverable amount that exceeded the book value of the Group's business as a whole, thereby not showing any need for impairment.

NOTE 6

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The item decreased by 534 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12.31.2022
Industrial patents and intellectual property rights	1,933	731	(1,069)		(1)	53		338	1,985
Concessions, licenses, trademarks and similar rights	3,376	85	(442)		(1)	70		1,555	4,643
Other intangible assets	3	2	(6)			(2)		48	45
Work in progress and advance payments	1,835	310				54	48	(1,264)	983
Total	7,147	1,128	(1,517)	—	(2)	175	48	677	7,656

(million euros)	12.31.2022	Investments	Depreciation and amortization	Impairment (losses)/ Reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12.31.2023
Industrial patents and intellectual property rights	1,985	659	(1,045)		(1)	18		294	1,910
Concessions, licenses, trademarks and similar rights	4,643	8	(485)			57		539	4,762
Other intangible assets	45	3	(10)			2		11	51
Work in progress and advance payments	983	242			(1)	16	18	(859)	399
Total	7,656	912	(1,540)	—	(2)	93	18	(15)	7,122

Investments in 2023 amounted to 912 million euros (1,128 million euros in 2022) and included 230 million euros in internally generated assets (244 million euros in 2022); further details are provided in Note 31 "Internally generated assets".

Industrial patents and intellectual property rights at December 31, 2023, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years and relating mainly to TIM S.p.A. (1,254 million euros), the Brazil Business Unit (445 million euros) and Noovle S.p.A. (117 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2023 mainly refer to the residual cost of telephone licenses and similar rights (3,004 million euros for TIM S.p.A. and 1,705 million euros for the Brazil Business Unit). During the 2023 financial year, in particular, the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit were transferred to exercise and the rights of use of the 28 GHz band of the Parent Company TIM S.p.A. were extended until December 31, 2029.

The residual amount of telephone licenses and similar rights in operation at December 31, 2023 (4,709 million euros) and their useful lives are detailed below:

Type	Residual value at 12.31.2023 (million euros)	Useful life (years)	Maturity	Amortization expense for the year 2023 (million euros)
TIM S.p.A.:				
UMTS 2100 MHz (extension)	180	8	12.31.2029	30
WiMax (extension)	4	7	12.31.2029	1
34-36-MHz OpNet (former Linkem) band	53	7	12.31.2029	9
LTE 1800 MHz	51	18	12.31.2029	9
LTE 800 MHz	360	17	12.31.2029	60
LTE 2600 MHz	40	17	12.31.2029	7
L Band (1452-1492 MHz)	99	14	12.31.2029	16
900 and 1800 MHz band	329	11	12.31.2029	55
3600-3800 MHz band (5G)	1,242	19	12.31.2037	89
26.5-27.5 GHz band (5G)	24	19	12.31.2037	2
694-790 MHz band (5G)	614	15 years and 6 months	12.31.2037	44
28 GHz band (Extension)	8	7	12.31.2029	1
TIM Brasil group:				
800 MHz, 900 MHz and 1800 MHz band	345	From 2 to 20	From 2025 to 2039	31
1900 MHz and 2100 MHz band	101	From 2 to 20	From 2025 to 2039	9
700 MHz, 2500 MHz and 2.5 GHz band (4G)	550	From 2 to 20	From 2024 to 2039	82
2.3 GHz, 3.5 GHz, and 26 GHz band (5G)	709	From 10 to 20	From 2030 to 2041	33

Work in progress and advance payments mainly relate to the Parent Company TIM S.p.A. (318 million euros) and the Brazil Business Unit (38 million euros) and refer mainly to software developments. The reduction in 2023 is mainly related to operating revenues, including the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit (530 million euros). For the latter, since the period of time required for the assets to be ready for use was more than 12 months, the related financial charges of 18 million euros were capitalised during 2023. Capitalised financial charges were directly reduced to the income statement item "Financial charges".

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

(million euros)	12.31.2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	12,847	—	(10,862)	1,985
Concessions, licenses, trademarks and similar rights	7,784	—	(3,141)	4,643
Other intangible assets	563	—	(518)	45
Work in progress and advance payments	983	—	—	983
Total intangible assets with a finite useful life	22,177	—	(14,521)	7,656

(million euros)	12.31.2023			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	13,932	—	(12,022)	1,910
Concessions, licenses, trademarks and similar rights	8,454	—	(3,692)	4,762
Other intangible assets	596	—	(545)	51
Work in progress and advance payments	399	—	—	399
Total intangible assets with a finite useful life	23,381	—	(16,259)	7,122

With reference to gross values, in 2023 the Parent Company TIM S.p.A. made disposals of 29 million euros relating to intellectual property rights that were almost fully depreciated, including systems and software developments relating to the TIMMusic platform, which ceased in June 2023 (19 million euros) and abandoned or expired patents (8 million euros).

NOTE 7

TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 592 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12.31.2022
Land	232				(1)	1		232
Buildings (civil and industrial)	597	34	(37)			1	56	651
Plant and equipment	11,254	2,198	(2,145)		(28)	202	521	12,002
Manufacturing and distribution equipment	19	7	(8)				2	20
Other	367	105	(158)		(1)	13	36	362
Construction in progress and advance payments	842	484			(3)	11	(501)	833
Total	13,311	2,828	(2,348)	—	(33)	228	114	14,100

(million euros)	12.31.2022	Investments	Depreciation and amortization	Impairment (losses) / Reversals	Disposals	Exchange differences	Other changes	12.31.2023
Land	232				(4)		1	229
Buildings (civil and industrial)	651	19	(37)		(4)		24	653
Plant and equipment	12,002	2,081	(2,162)		(25)	76	438	12,410
Manufacturing and distribution equipment	20	8	(7)				(1)	20
Other	362	100	(155)		(1)	5	18	329
Construction in progress and advance payments	833	733			(1)	3	(517)	1,051
Total	14,100	2,941	(2,361)	—	(35)	84	(37)	14,692

Land comprises both built-up land and available land and is not subject to depreciation. The balance at December 31, 2023 mainly refers to TIM S.p.A. (184 million euros) and to Noovle S.p.A. (33 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2023 mainly refers to TIM S.p.A. (407 million euros) and to Noovle S.p.A. (216 million euros).

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The balance at December 31, 2023 is mainly attributable to TIM S.p.A. (5,276 million euros), to FiberCop S.p.A. (4,595 million euros), the Brazil Business Unit (2,114 million euros), the Telecom Italia Sparkle Group (259 million euros) and Noovle S.p.A. (162 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A..

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Construction in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

Investments in 2023 include 308 million euros of internally generated assets (315 million euros in 2022); further details are provided in Note 31 "Internally generated assets".

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2023 and 2022 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 20%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	15% - 20%
Other	10% - 50%

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

(million euros)

12.31.2022				
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	2,051	—	(1,400)	651
Plant and equipment	73,824	(12)	(61,810)	12,002
Manufacturing and distribution equipment	338	(1)	(317)	20
Other	3,725	(2)	(3,361)	362
Construction in progress and advance payments	834	(1)		833
Total	81,007	(19)	(66,888)	14,100

12.31.2023				
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Land	232	(3)		229
Buildings (civil and industrial)	2,053	—	(1,400)	653
Plant and equipment	76,271	(12)	(63,849)	12,410
Manufacturing and distribution equipment	346	(1)	(325)	20
Other	3,873	(2)	(3,542)	329
Construction in progress and advance payments	1,052	(1)		1,051
Total	83,827	(19)	(69,116)	14,692

With regard to the gross amounts, in 2023 the parent company TIM S.p.A. made disposals for a total value of 341 million euros, mainly in relation to fully depreciated assets, including: network transmission plants and equipment (95 million euros), land, buildings and light constructions (46 million euros), GSM SRB-DCS equipment (45 million euros), fiber optic access (40 million euros), rented terminals (27 million euros).

NOTE 8

RIGHTS OF USE ASSETS

This item increased by 27 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12.31.2022
Property	2,848	35	347	(398)	(4)	35	104	2,967
Plant and equipment	1,847	53	462	(474)	(2)	108	376	2,370
Other tangible assets	119		23	(38)	(3)		1	102
Construction in progress and advance payments	30	25					(20)	35
Intangible assets	3	8		(2)			5	14
Total	4,847	121	832	(912)	(9)	143	466	5,488

(million euros)	12.31.2022	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12.31.2023
Property	2,967	27	711	(440)	(80)	22	(40)	3,167
Plant and equipment	2,370	68	348	(483)	(79)	55	(63)	2,216
Other tangible assets	102		21	(35)	(3)		(12)	73
Construction in progress and advance payments	35	18					(24)	29
Intangible assets	14	16	7	(4)			(3)	30
Total	5,488	129	1,087	(962)	(162)	77	(142)	5,515

In 2023, capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of transmission capacity and telecommunications infrastructure in IRUs and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2023, equal to 1,087 million euros, refer to the Domestic Business Unit (553 million euros) and the Brazil Business Unit (534 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network. In 2023, the increases include the result of the assessment carried out by the Parent Company TIM S.p.A. on the contractual durations of real estate leases, which led to an extension of some of them, with a consequent increase in rights of use and financial liabilities of approximately 380 million euros.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes refer mainly to changes related to the lower value of rights of use recorded as a result of contractual changes during the period and also include transfers in operation.

Property includes buildings and land under finance leases and the related building adaptations, attributable to the Domestic Business Unit (2,572 million euros) and the Brazil Business Unit (595 million euros).

Plant and equipment mainly includes rights of use on infrastructures for telecommunications services. They refer to the Brazil Business Unit (1,318 million euros), the Parent Company TIM S.p.A. (601 million euros), to FiberCop S.p.A. (152 million euros) and the Telecom Italia Sparkle group (145 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

Other tangible assets mainly comprises the leases on motor vehicles. The decrease compared to December 31, 2023 is also related to the deconsolidation of the company TIM Servizi Digitali S.p.A. sold by the Parent Company TIM S.p.A. on August 4, 2023. The company is the holder of a right of use for the lease of a business unit deriving from a contract stipulated with Sittel S.p.A..

The item **Intangible assets** mainly includes Telecom Italia Sparkle's rights of use on the transmission frequency spectrum on non-illuminated fiber optic carriers of a submarine cables, as well as the right of use of the subsidiary Telsy for the use of a cloud computing platform created for the exclusive benefit of the company for the exercise of security services.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

(million euros)	12.31.2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Property	5,811	(13)	(2,831)	2,967
Plant and equipment	4,340	(278)	(1,692)	2,370
Other	272		(170)	102
Construction in progress and advance payments	35			35
Intangible assets	17	—	(3)	14
Total	10,475	(291)	(4,696)	5,488

(million euros)	12.31.2023			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Property	6,324	(13)	(3,144)	3,167
Plant and equipment	4,582	(276)	(2,090)	2,216
Other	240		(167)	73
Construction in progress and advance payments	29			29
Intangible assets	36	—	(6)	30
Total	11,211	(289)	(5,407)	5,515

Impairment losses on “Plant and equipment”, mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to gross values, in 2023 the Parent Company TIM S.p.A. carried out disposals with a total value of 130 million euros mainly attributable to leased properties and related improvements and adaptations (106 million euros), leased cars (20 million euros) and base transceiver stations (3 million euros).

NOTE 9 INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

Investments in associates and joint ventures accounted for using the equity method are reported below in detail:

(million euros)		12.31.2023	12.31.2022
I-Systems S.A.		271	277
Daphne 3 S.p.A.		200	212
Italtel S.p.A.		7	9
NordCom S.p.A.		7	6
W.A.Y. S.r.l.		4	4
QTI S.r.l.		2	3
Other		2	2
Total Associates	(a)	493	513
TIMFin S.p.A.		30	21
Polo Strategico Nazionale S.p.A.		14	5
Total Joint Ventures	(b)	44	26
Total investments accounted for using the equity method	(a+b)	537	539

The changes in this item are broken down as follows:

(million euros)	12.31.2021	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12.31.2022
I-Systems S.A.	253			(11)	35	277
Daphne 3 S.p.A.				(57)	269	212
Italtel S.p.A.		10		(1)		9
NordCom S.p.A.	6					6
W.A.Y. S.r.l.	4					4
QTI S.r.l.	2	1				3
Satsipay S.p.A.	20		(20)			—
Other	3	—			(1)	2
Total Associates	288	11	(20)	(69)	303	513
INWIT S.p.A.	2,669			(59)	(2,610)	—
TIMFin S.p.A.	22			(1)		21
Polo Strategico Nazionale S.p.A.		5				5
Total Joint Ventures	2,691	5	—	(60)	(2,610)	26
Total investments accounted for using the equity method	2,979	16	(20)	(129)	(2,307)	539

(million euros)	12.31.2022	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12.31.2023
I-Systems S.A.	277			(17)	11	271
Daphne 3 S.p.A.	212			(12)		200
Italtel S.p.A.	9			(2)		7
NordCom S.p.A.	6			1		7
W.A.Y. S.r.l.	4					4
QTI S.r.l.	3			(1)		2
Other	2					2
Total Associates	513	—	—	(31)	11	493
TIMFin S.p.A.	21	10			(1)	30
Polo Strategico Nazionale S.p.A.	5	19		(10)		14
Total Joint Ventures	26	29	—	(10)	(1)	44
Total investments accounted for using the equity method	539	29	—	(41)	10	537

Investments in 2023 mainly include the recapitalizations of Polo Strategico Nazionale S.p.A. (19 million euros) and TIMFin S.p.A. (10 million euros).

The adjustment of Daphne 3 relates to the dividend distributed by the company during 2023.

"Other changes" mainly include exchange rate differences related to the investment in the Brazilian associate I-Systems S.A..

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Other investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12.31.2021	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12.31.2022
SECO S.p.A.	92			(36)		56
Fin.Priv. S.r.l.	22			(2)		20
Northgate Telecom Innovations Partners L.P.	17	3		(4)		16
UV T-Growth	12	8	(7)	(2)		11
Other	13					13
Total	156	11	(7)	(44)	—	116

(million euros)	12.31.2022	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12.31.2023
SECO S.p.A.	56			(20)		36
Banco C6 S.A.					30	30
Fin.Priv. S.r.l.	20			3		23
UV T-Growth	11	9		(5)		15
Northgate Telecom Innovations Partners L.P.	16	1		(4)		13
Upload Ventures Growth LP		10				10
Other	13			—		13
Total	116	20	—	(26)	30	140

The investment in Banco C6 S.A. represents 1.44% of the company's share capital resulting from the exercise by TIM S.A. (Brazil Business Unit), the option to purchase C6 shares as part of the partnership entered into between the parties in 2020. After the exercise of the option, TIM S.A. holds a minority position and has no position of control or significant influence in the management of C6. Further details are also provided in the Note 25 "Disputes and Pending Legal Actions, other information, commitments and guarantees";

Furthermore:

- during 2023, TIM S.A. (Brazil Business Unit) has invested 10 million euros in the investment fund focused on 5G solutions called Upload Ventures Growth. As at December 31, 2023, TIM S.A. (Brazil Business Unit) does not control the management of the fund or exercise significant influence;
- as at December 31, 2023, the TIM Group has committed to subscribe to shares:
 - of the UV T-Growth fund in the amount of 38.7 million euros.
 - in the Northgate CommsTech Innovations Partners L.P. fund for 3.2 million USD, equal to approximately 2.9 million euros at the exchange rate as at December 31, 2023;

As permitted by IFRS 9, TIM now measures Other Investments mainly at "fair value through other comprehensive income (FVTOCI)".

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL ASSETS

Non-current and current financial assets were broken down as follows:

(million euros)	12.31.2023	12.31.2022
Other non-current financial assets		
Securities other than investments	—	—
Receivables from employees	31	39
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	968	1,435
Non-hedging derivatives	95	119
Other financial receivables	9	9
	1,103	1,602
Financial receivables for lease contracts	112	49
Total non-current financial assets (a)	1,215	1,651
Securities other than investments, other financial receivables and other current financial assets		
Securities other than investments		
Measured at amortized cost (AC)	—	—
Measured at fair value through other comprehensive income (FVTOCI)	1,516	1,040
Measured at fair value through profit or loss (FVTPL)	366	406
	1,882	1,446
Financial receivables and other current financial assets		
Receivables from employees	24	21
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	117	84
Non-hedging derivatives	57	47
Other short-term financial receivables	491	2
	689	154
	(b) 2,571	1,600
Financial receivables for lease contracts (c)	162	69
Cash and cash equivalents (d)	2,912	3,555
Total current financial assets e=(b+c+d)	5,645	5,224
Financial assets relating to Discontinued operations/Non-current assets held for sale (f)	—	—
Total non-current and current financial assets g=(a+e+f)	6,860	6,875

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosures on financial instruments".

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;
- agreements for the sale of network infrastructure in IRU with deferred collection over time recognized using the financial method envisaged by IFRS 16 given the contractual term substantially close to the economic life of the asset;
- lease contracts for commercial products with customers. For the financial receivables for lease assets are offset by the financial debt for the corresponding leases payable.

Hedging derivatives relating to hedged items classified under non-current and current financial assets/liabilities include the spot mark-to-market components of hedging derivatives and accrued income on those contracts.

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 94 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Further details are provided in Note 19 "Derivatives".

Other short-term financial receivables consist of the 488 million euros in National Recovery and Resilience Plan (NRRP) funds received on January 2, 2024 in relation to the 1G tender. For further details, see Note 17 "Net financial debt".

Securities other than investments included in current financial assets relate to:

- 1,516 million euros of listed securities, of which 1,007 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 509 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group;
- 366 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. had received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 3/1/2023 and 150 million euros of BTP 4/15/2021; starting December 1, 2019, TIM S.p.A. had loaned these securities to the counterparty NatWest.

On January 27, 2021, TIM S.p.A. had renewed the securities lending agreement in place with Telecom Italia Finance S.A., which envisaged the lending until February 15, 2023 of 98 million euros (nominal) of BTP 3/1/2023.

On January 29, 2021, TIM S.p.A. had borrowed until October 5, 2023 (subject to renewal) 24 million euros (nominal) in BTP 10/15/2023 and 67.5 million euros (nominal) in BTP 2/1/2026; furthermore TIM S.p.A. had lent the counterparty NatWest said securities in compliance with the agreement stipulated on December 21, 2020.

On February 14 and 16, 2023, the 98 million in BTP 3/1/2023 - falling due - were replaced by 97.8 million in BTP 1/15/2026 as part of the securities lending arrangements between TIM S.p.A. and Telecom Italia Finance S.A. and between TIM S.p.A. and NatWest, respectively.

On May 8, 2023, the securities lending arrangement with Telecom Italia Finance S.A. was terminated early and replaced by a new loan valid until October 1, 2026 for 40 million euros in BTP 12/1/2026; on May 9, 2023, TIM S.p.A. effected the early termination of its loan with NatWest and issued the above mentioned security until October 2026.

Under a securities lending agreement signed with Telecom Italia Finance S.A. on October 18, 2023, TIM S.p.A. has borrowed 131 million euros nominal in BTP 7/15/2028 until October 19, 2026; On October 25, 2023, TIM S.p.A. pledged a portion of the securities with a market value (from time to time) of 99 million euros in favour of counterparty MPS after the latter issued a bank guarantee in favour of INPS in support of the application of Art. 4 of Law 92 of June 28, 2012.

From an accounting standpoint, in compliance with IAS/IFRS, the assets are shown exclusively in the financial statements of Telecom Italia Finance S.A., which retains the risks and benefits associated with the position.

Further details are provided in Note 2 "Accounting policies".

Cash and cash equivalents amounted to 2,912 million euros, a decrease of 643 million euros compared to December 31, 2022 and were broken down as follows:

(million euros)	12.31.2023	12.31.2022
Liquid assets with banks, financial institutions and post offices	2,294	2,622
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	618	933
Total	2,912	3,555

The different technical forms of investing available cash at December 31, 2023 had the following characteristics:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating of at least BBB and a non-negative outlook regard to Europe, and with leading local counterparts with regard to investments in South America;
- Country risk: deposits have been made mainly in major European financial markets.

Securities other than investments (due within 3 months) included 618 million euros (595 million euros at December 31, 2022) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

NOTE 11

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

These decreased by 178 million euros compared to December 31, 2022. The breakdown is as follows:

(million euros)		12.31.2023	of which Financial Instruments	12.31.2022	of which Financial Instruments
Miscellaneous receivables (non-current)	(a)	390	154	560	275
Other non-current assets					
Deferred contract costs		1,650		1,702	
Other deferred costs		147		103	
	(b)	1,797		1,805	
Total	(a+b)	2,187	154	2,365	275

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

Miscellaneous receivables (non-current) totaled 390 million euros (560 million euros at December 31, 2022) and included Non-current income tax receivables of 72 million euros (124 million euros at December 31, 2022).

This item was mainly due to the Brazil Business Unit (345 million euros; 516 million euros at December 31, 2022).

In particular, the Brazil Business Unit as of December 31, 2023 had non-current receivables relating to:

- judicial deposits of 129 million euros (248 million euros at December 31, 2022). The reduction compared to December 31, 2022 is mainly attributable to the release of the judicial deposit established in October 2022 against the litigation related to the acquisition of the mobile telephony assets of the Oi group and concluded in October 2023. Further details are provided in the Note 25 "Disputes and Pending Legal Actions, other information, commitments and guarantees";
- indirect taxes of 147 million euros (153 million euros at December 31, 2022);
- direct taxes of 41 million euros (93 million euros at December 31, 2022).

Other non-current assets amounted to 1,797 million euros (1,805 million euros at December 31, 2022). They mainly break down as follows:

- **Deferred contract costs** of 1,650 million euros (1,702 million euros at December 31, 2022), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contractual costs (mainly technical activation costs and commissions for the sales network) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 4 years for the mobile business and around 8 years for the fixed-line business).

Total (non-current and current) deferred contract costs amounted to 2,186 million euros (2,271 million euros at December 31, 2022) and break down as follows:

(million euros)	12.31.2023	12.31.2022
Deferred contract costs		
Non-current deferred contract costs	1,650	1,702
Current deferred contract costs	536	569
Total	2,186	2,271

(million euros)	12.31.2023	12.31.2022
Deferred contract costs		
Contract acquisition costs	1,255	1,262
Contract execution costs	931	1,009
Total	2,186	2,271

Changes to comprehensive deferred contract costs in 2023 are as follows:

(million euros)	12.31.2022	Increase	Release to income statement	Exchange differences and other changes	12.31.2023
Contract acquisition costs	1,262	369	(378)	2	1,255
Contract execution costs	1,009	173	(251)		931
Total	2,271	542	(629)	2	2,186

The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 608 million euros in 2024, based on the amount at December 31, 2023 without taking into account the new deferred portions.

(million euros)	12.31.2023	Year of recognition in the income statement					
		2024	2025	2026	2027	2028	After 2028
Contract acquisition costs	1,255	368	283	213	149	105	137
Contract execution costs	931	240	204	160	125	96	106
Total	2,186	608	487	373	274	201	243

- **Other deferred** costs amounted to 147 million euros, mainly attributable to the Parent Company TIM S.p.A., the companies of the Telecom Italia Sparkle group and the companies of the Brazil Business Unit.

NOTE 12

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2023 amounted to 263 million euros (271 million euros at December 31, 2022).

Specifically, they consisted of:

- non-current income tax receivables of 72 million euros (124 million euros at December 31, 2022), relating to the Brazil Business Unit (41 million euros) and the Parent TIM S.p.A. (31 million euros). In detail:
 - in September 2021, following the Brazilian Supreme Federal Court's decision on the non-collection of corporate income tax and social contribution on the monetary restatement using the SELIC rate in cases of undue payment, TIM S.A. had recorded its best estimate (approximately R\$ 535 million) in non-current receivables. In the third quarter of 2023, following the final favourable and unappealable decision that resulted in the approval of the receivable by the Brazilian Federal Tax Agency, TIM S.A. reclassified it to the current portion (approximately R\$ 470 million);
 - the receivables of the Parent Company TIM S.p.A. include non-disposable receivables related to taxes and interest resulting from the recognized deductibility for IRES purposes of IRAP on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 191 million euros (147 million euros at December 31, 2022), relating to the companies of the Brazil Business Unit (139 million euros) and the Domestic Business Unit (52 million euros). Specifically, they include TIM S.A.'s receivables relating to the positive outcome of the above-mentioned decision of the Brazilian Supreme Federal Court, as well as receivables for taxes paid abroad in the amount of 13 million euros, the residual IRAP surplus from previous years in the amount of 15 million euros, the tax consolidation credit in the amount of 10 million euros and other tax credits in the amount of 4 million euros of the Parent Company TIM S.p.A.

Tax assets and deferred tax liabilities

The net balance of 618 million euros at December 31, 2023 (685 million euros at December 31, 2022) breaks down as follows:

(million euros)	12.31.2023	12.31.2022
Deferred tax assets	701	769
Deferred tax liabilities	(83)	(84)
Total	618	685

Deferred tax assets at December 31, 2023 refer to the Domestic Business Unit for 466 million euros and to the Brazil Business Unit for 235 million euros. As at December 31, 2022, deferred tax assets referred to the Domestic Business Unit for 523 million euros and the Brazil Business Unit for 246 million euros.

In the 2023 financial statements, the Parent Company TIM S.p.A. did not include IRES deferred tax for current period and prior period tax losses nor do they include IRAP deferred tax assets/liabilities, (as was the case in the previous financial statements), in consideration of the assessment of the time frame for recoverability of deferred tax assets.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 45 million euros (52 million euros at December 31, 2022) and the Domestic Business Unit for 31 million euros (24 million euros at December 31, 2022).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12.31.2023	12.31.2022
Deferred tax assets	1,307	1,285
Deferred tax liabilities	(689)	(600)
Total	618	685

The temporary differences which made up this line item at December 31, 2023 and 2022, as well as the movements during 2023, were as follows:

(million euros)	12.31.2022	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12.31.2023
Deferred tax assets					
Tax loss carryforwards (*)	25	(16)		30	39
Derivatives	289	(4)	36		321
Provision for bad debts	120	—		—	120
Provisions	415	(41)		99	473
Taxed depreciation and amortization	112	18		—	130
Other deferred tax assets	324	(19)	—	(81)	224
Total	1,285	(62)	36	48	1,307
Deferred tax liabilities					
Derivatives	(330)	(14)	8	(1)	(337)
Business combinations - for step-up of net assets in excess of tax basis	(57)	(41)	—	(3)	(101)
Accelerated depreciation	(136)	(32)		(6)	(174)
Other deferred taxes	(77)	—		—	(77)
Total	(600)	(87)	8	(10)	(689)
Total Deferred tax assets net of Deferred tax liabilities	685	(149)	44	38	618

(*) For the new flow of tax losses in 2023, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2023 were the following:

(million euros)	Within next year	Beyond 1 year	Total at 12/31/2023
Deferred tax assets	339	968	1,307
Deferred tax liabilities	(61)	(628)	(689)
Total Deferred tax assets net of Deferred tax liabilities	278	340	618

At December 31, 2023, the TIM Group had unused tax loss carryforwards of 4,402 million euros, mainly relating to the Parent Company TIM S.p.A. and the company Telecom Italia Finance, with the following expiration dates:

Year of expiration	(million euros)
2024	1
2025	1
2026	1
2027	—
2028	—
Expiration after 2028	31
Without expiration	4,368
Total unused tax loss carryforwards	4,402

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 144 million euros at December 31, 2023 (73 million euros at December 31, 2022) and mainly referred to the Brazil Business Unit. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.

On the other hand, deferred tax assets of 1,036 million euros (685 million euros at December 31, 2022) were not recognized on 4,257 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.

At December 31, 2023, deferred tax liabilities were not recognized on approximately 2.6 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future.

Income tax payables

Current income tax payables amounted to 27 million euros (34 million euros at December 31, 2022). They break down as follows:

(million euros)	12.31.2023	12.31.2022
Income tax payables:		
non-current	—	—
current	27	34
Total	27	34

The current portion, amounting to 27 million euros, mainly refers to companies in the Domestic Business Unit (8 million euros) and the Brazil Business Unit (18 million euros). The current tax payables of the Parent Company TIM S.p.A. are zero (unchanged compared to December 31, 2022).

Non-current tax payables are zero (unchanged compared to December 31, 2022).

Income tax expense

The income tax expense for the years 2023 and 2022 breaks down as follows:

(million euros)	2023	2022
Current taxes for the year	81	95
Net difference in prior year estimates	(3)	(675)
Total current taxes	78	(580)
Deferred taxes	149	2,646
Total income tax expense on continuing operations (a)	227	2,066
Income tax expense on Discontinued operations/Non-current assets held for sale (b)	—	—
Total income tax expense for the year (a+b)	227	2,066

Current taxes include the income represented by the benefit of the tax consolidation of 132 million euros and the lower taxes of previous years of 2 million euros of the Parent Company TIM S.p.A., relating to the effects of the tax return compared to the estimate made in the 2022 financial statements on the basis of the elements available at the time.

The current tax benefits juxtaposes with the deferred tax expense of the Parent Company TIM S.p.A. of 88 million euros, of which 9 million euros relate to previous years.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2023 and 2022 is as follows:

(million euros)	2023	2022
Profit (loss) before tax from continuing operations	(880)	(588)
Theoretical income tax expense from continuing operations	(211)	(141)
Income tax effect on increases (decreases) in variations		
Tax losses of the year not considered recoverable	401	280
Tax losses from prior years not recoverable (recoverable) in future years	(51)	(8)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others	—	2,656
Brazil: different tax rate compared to the theoretical rate in force in Italy	52	30
Brazil: investment incentives	(44)	(29)
Other net differences	40	(82)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax	187	2,706
IRAP (Regional Tax on Production Activities)	40	52
Write-off of substitute tax pursuant to Decree Law 104/2020 art. 110	—	(692)
Total effective taxes recognized in the Income Statement from continuing operations (a)	227	2,066
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale (b)	—	—
Total of actual taxes to income statement (a)+(b)	227	2,066

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any

distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.



Global Minimum Tax

Legislative Decree No. 209 of December 27, 2023, implementing the international tax reform, transposed European Union Council Directive No. 2022/2523/EU (the “**Directive**”), which implements the rules developed by the OECD on Pillar 2 and Global Minimum Tax (“**Model Rules**” or “**GloBE Rules**”). The new rules enter into force on January 1, 2024.

To give a very brief overview, the *GloBE Rules* introduce a coordinated system of rules for multinational groups with total revenues of 750 million euros or more, aimed at ensuring that they are subject to a minimum tax level of at least 15% in relation to income generated in each country in which they operate. The *GloBE Rules* provide for the application of a top-up tax due if the effective tax rate (“**ETR**”) calculated for each country according to the common rules is below 15%, up to that level. The ETR is equal to the ratio of taxes paid (with adjustments) to accounting profit (with adjustments). Both the calculation of the effective tax rate and the supplementary tax are done on a jurisdictional (i.e. country-by-country) basis.

The OECD has developed a system of safe harbours (i.e. tests) applicable during the first three-year period of the *GloBE Rules* (until 2026), which will make it possible to avoid making the complex calculations required and to consider the supplementary tax due in a given state to be zero if one of the following tests is passed:

- **de minimis test:** aggregate revenue in that state is less than 10 million euros and aggregate pre-tax profit is less than 1 million euros (or a loss);
- **simplified ETR test:** The effective tax level is at least 15% (for 2024), 16% (for 2025) and 17% (for 2026) and is to be determined on the basis of the ratio of the aggregate values of pre-tax profit/loss (denominator) and income tax (numerator);
- **routine profit test:** the economic substance present in a given jurisdiction (calculated assuming a given implied profitability of tangible assets and personnel costs located in the jurisdiction) is greater than the aggregate amount of pre-tax profit/loss. In the event that the group is found to have a pre-tax loss, the test will be regarded as positive.

As it falls within the scope of application of the *GloBE Rules*, TIM S.p.A. is currently analysing the new rules and structuring an internal process for collecting the data necessary to carry out the calculations required when fully implemented.

TIM S.p.A. also performed a simulation on the figures for the financial year 2022, with reference to the potential application of safe harbours in the jurisdictions in which it operates. From initial estimates and based on the best interpretation of documents published by the OECD, practically all countries pass at least one of the tests.

With regard to the related amendments adopted by the IASB to IAS 12 and implemented by Regulation (EU) No. 2023/2468, please refer to what is specified in Note 2 “Accounting Policies”.

NOTE 13 INVENTORIES

The item increased compared to December 31, 2022, by 23 million euros and is broken down as follows:

(million euros)	12.31.2023	12.31.2022
Raw materials and supplies	2	2
Work in progress and semifinished products	2	8
Finished goods	314	274
Deposits on stocks	27	38
Total	345	322

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialist printers.

Inventories consist of 283 million euros for the Domestic Business Unit (280 million euros at December 31, 2022) and 62 million euros for the Brazil Business Unit (42 million euros at December 31, 2022).

The item “Deposits on stocks” refers to deposits paid for fiber on submarine cables by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through finance lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 13 million euros at December 31, 2023 (18 million euros at December 31, 2022).

NOTE 14

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 160 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)	12.31.2023	of which Financial Instruments	12.31.2022	of which Financial Instruments
Trade receivables				
Receivables from customers	1,351	1,351	1,586	1,586
Receivables from other telecommunications operators	1,556	1,556	1,288	1,288
(a)	2,907	2,907	2,874	2,874
Miscellaneous receivables (current)				
Other receivables	(b) 752	60	689	96
Other current assets				
Contract assets	68	68	17	17
Deferred contract costs	536		569	
Other deferred costs	395		337	
Other	41		53	
(c)	1,040	68	976	17
Total	(a+b+c) 4,699	3,035	4,539	2,987

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2023 and December 31, 2022 are provided below:

(million euros)	12.31.2023	of which non- overdue	of which overdue	0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	3,035	2,455	580	208	78	97	197

(million euros)	12.31.2022	of which non- overdue	of which overdue	0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	2,987	2,371	616	167	84	137	228

Receivables not past due are increasing, compared to December 31, 2022, by 84 million euros. The Brazil Business Unit (58 million euros, including a positive foreign exchange effect of approximately 21 million euros) and the Domestic Business Unit (26 million euros) contribute to this trend for 2023.

Past-due receivables decreased by 36 million euros compared to December 31, 2022. This reduction for the 2023 financial year is attributable to the Domestic Business Unit in the amount of 49 million euros compared to the increase recorded in the Brazil Business Unit in the amount of 13 million euros, including a positive exchange rate effect of approximately 5 million euros).

Trade receivables amounted to 2,907 million euros (2,874 million euros at December 31, 2022) and are stated net of the provision for bad debts of 463 million euros (499 million euros at December 31, 2022). They included 10 million euros (12 million euros at December 31, 2022) of medium/long-term receivables mainly relating to agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables relate, in particular, to TIM S.p.A. (1,898 million euros) and the Brazil Business Unit (726 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12.31.2023	12.31.2022
At January 1	499	565
Provision charges to the income statement	184	178
Utilization and decreases	(225)	(275)
Change in scope	—	7
Exchange rate differences and other changes	5	24
At December 31	463	499

Miscellaneous receivables (current) refer to other receivables amounting to 752 million euros (689 million euros at December 31, 2022) and are net of a provision for bad debts of 44 million euros (41 million euros at December 31, 2022). Details are as follows:

(million euros)	12.31.2023	12.31.2022
Advances to suppliers	335	282
Receivables from employees	10	10
Tax receivables	185	152
Receivables for grants from the government and public entities	10	11
Sundry receivables	212	234
Total	752	689

As at December 31, 2023, "tax receivables" refer to the Brazil Business Unit for 153 million euros and to the Domestic Business for 32 million euros.

"Receivables for grants from the government and public entities" mainly refer to the projects called Ultra Broadband-BUL and Broadband-BL. These contributions are recognised in the income statement at the time of entry into operation of the plants to which the contributions refer.

"Sundry receivables" mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (27 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (23 million euros);
- TIM S.p.A. receivables from social security and pension institutions (18 million euros).

Other current assets included:

- **Contract assets.** This item mainly includes:
 - 12 million euros attributable to the parent company TIM S.p.A. due to the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized "at a point in time" are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. These Contract Assets are net of the related impairment provision of 1 million euros;
 - 53 million euros from the Parent Company TIM S.p.A. and the company FiberCop S.p.A. relating to works carried out in 2023 in connection with the NRRP projects.
- **Deferred contract costs** (536 million euros; 569 million euros at December 31, 2022): There are contractual costs (mainly technical activation costs and commissions for the sales network) deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (around 4 years for the mobile business and around 8 years for the fixed-line business). Further details on Deferred contract costs are provided in the Note 11 "Miscellaneous receivables and other non-current assets".
- **Other deferred costs** mainly concern:
 - the Parent Company essentially for: a) costs related to rental charges and other lease and rental costs (266 million euros); b) after-sales expenses on application offers (32 million euros); c) costs for the purchase of products and services (23 million euros); d) insurance premiums (8 million euros); e) maintenance fees (6 million euros);
 - to the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (13 million euros);
 - the Brazil Business Unit (15 million euros), essentially related to the deferral of service costs.

NOTE 15

EQUITY

This item consisted of:
(million euros)

	12.31.2023	12.31.2022
Equity attributable to owners of the Parent	13,646	15,061
Non-controlling interests	3,867	3,664
Total	17,513	18,725

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12.31.2023	12.31.2022
Share capital	11,620	11,614
Additional paid-in capital	575	2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	1,451	1,314
Reserve for financial assets measured at fair value through other comprehensive income	(22)	(58)
Reserve for hedging instruments	(80)	65
Reserve for exchange differences on translating foreign operations	(1,959)	(2,085)
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(79)	(71)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	—	—
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	3,591	3,463
Total	13,646	15,061

As of December 31, 2023, the **Share Capital** is 11,620 million euros, already net of treasury shares of 57 million euros. Capital increased by 6 million euros as a result of the allocation of treasury shares in execution of the first cycle of the Long Term Incentive Plan 2020-2022.

It should be noted that the Parent Company's Share Capital is subject to a tax suspension restriction for tax purposes in the amount of 1,191 million euros (unchanged from December 31, 2022).

Movements in Share Capital during 2023 are presented in the following tables:

Reconciliation between the number of shares outstanding at December 31, 2022 and December 31, 2023

(number of shares)	as at 12/31/2022	Share assignment/ issue	at 12/31/2023	% on Capital
Ordinary shares issued (a)	15,329,466,496	—	15,329,466,496	71.78%
less: treasury shares (b)	(115,942,196)	10,879,774	(105,062,422)	
Ordinary shares outstanding (c)	15,213,524,300	10,879,774	15,224,404,074	
Savings shares issued and outstanding (d)	6,027,791,699	—	6,027,791,699	28.22%
Total TIM S.p.A. shares issued (a+d)	21,357,258,195	—	21,357,258,195	100.00%
Total TIM S.p.A. shares outstanding (c+d)	21,241,315,999	10,879,774	21,252,195,773	

Reconciliation between the value of shares outstanding at December 31, 2022 and December 31, 2023

(million euros)		Share Capital at 12/31/2022	Change in share capital	Share Capital at 12/31/2023
Ordinary shares issued	(a)	8,381	—	8,381
less: treasury shares	(b)	(63)	6	(57)
Ordinary shares outstanding	(c)	8,318	6	8,324
Savings shares issued and outstanding	(d)	3,296	—	3,296
Total TIM S.p.A. share capital issued	(a+d)	11,677	—	11,677
Total TIM S.p.A. share capital outstanding	(c+d)	11,614	6	11,620

The total value of ordinary treasury shares at December 31, 2023, amounting to 330 million euros, was recorded as follows: the part relating to accounting par value (57 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the Board of Directors to the Shareholders' Meeting, which meets to approve the annual financial statements, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the event of a distribution of reserves, the savings shares have the same rights as the other shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

The **Share Premium Reserve** is 575 million euros, decreased by 1,558 million euros compared to December 31, 2022 as, based on the resolution of the Shareholders' Meeting of April 20, 2023, it was used to cover the loss for the year 2022 resulting from the financial statements of the Parent Company TIM S.p.A.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, negative for 22 million euros at December 31, 2023, decreased by 36 million euros compared to the figure at December 31, 2022. Specifically, the movement in 2023 includes gains in the securities portfolio of Telecom Italia Finance (59 million euros, of which 9 million euros were realized), losses in the securities portfolio of TI Ventures (9 million euros), losses recognized by Olivetti for the valuation of SECO S.p.A. (20 million euros), profits from other financial assets held by the Parent Company TIM (3 million euros) and profits from the investment in Fin.Priv. S.r.l. of the Parent Company TIM (3 million euros). This reserve is stated net of deferred tax assets of 2 million euros (at December 31, 2022, it was stated net of deferred tax liabilities of 3 million euros).
- The **Reserve for hedging instruments** had a negative balance of 80 million euros at December 31, 2023, (positive 65 million euros at December 31, 2022). This reserve is stated net of deferred tax assets of 23 million euros (at December 31, 2022, it was stated net of deferred tax liabilities of 22 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 1,959 million euros at December 31, 2023 (negative 2,085 million euros at December 31, 2022) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 1,983 million euros versus negative for 2,114 million euros at December 31, 2022).
- The **Reserve for the remeasurement of employee defined benefit plans**, negative for 79 million euros, decreased by 8 million euros compared with December 31, 2022 following the recording of the changes in actuarial gains (losses), net of the related income tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2023 and December 31, 2022.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 3,591 million euros and increased by 128 million euros, as detailed below:

(million euros)	2023	2022
Profit (loss) for the year attributable to owners of the Parent	(1,441)	(2,925)
Dividends approved - TIM S.p.A.	—	—
Equity instruments	2	6
Disposal of treasury shares under the LTI Plan	(6)	—
Share of loss coverage for the year 2022 using Share Premium Reserve	1,558	—
Other changes	15	6
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	128	(2,913)

No dividends were approved in 2023 and 2022.

Equity attributable to non-controlling interests, amounted to 3,867 million euros and mainly referred to FiberCop S.p.A. (2,222 million euros) and the companies of the Brazil Business Unit (1,645 million euros), increases by 203 million euros compared to December 31, 2022 as detailed below:

(million euros)	2023	2022
Profit (loss) for the year attributable to Non-controlling interests	334	271
Group Company dividends paid to minority shareholders	(197)	(86)
Changes in the Reserve for exchange differences on translating foreign operations	63	182
Daphne3 - deconsolidation	—	(1,332)
Other changes	3	4
Change for the year in Equity attributable to Non-controlling interest	203	(961)

Dividends from Group companies to minority shareholders mainly referred to the Brazil Business Unit in the amount of 136 million euros and FiberCop S.p.A. in the amount of 61 million euros. Dividends in 2022 mainly referred to the Brazil Business Unit for 86 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 910 million euros at December 31, 2023 (negative for 973 million euros at December 31, 2022), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

Details of "Future potential changes in share capital" are presented in Note 38 "Earnings per share".

NOTE 16

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities (gross financial debt) are broken down as follows:

(million euros)	12.31.2023	12.31.2022
Non-current financial liabilities for financing contracts and others		
Financial payables (medium/long-term):		
Bonds	15,297	15,259
Amounts due to banks	5,262	5,898
Other financial payables	310	305
	20,869	21,462
Other medium/long-term financial liabilities:		
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	397	234
Non-hedging derivatives	15	43
Other liabilities	3	—
	415	277
	(a)	21,284
Non-current financial liabilities for lease contracts	(b)	4,743
Total non-current financial liabilities	c=(a+b)	26,027
Current financial liabilities for financing contracts and others		
Financial payables (short term):		
Bonds	3,266	2,799
Amounts due to banks	2,145	1,766
Other financial payables	242	195
	5,653	4,760
Other short-term financial liabilities:		
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	66	193
Non-hedging derivatives	51	86
Other liabilities	1	—
	118	279
	(d)	5,771
Current financial liabilities for lease contracts	(e)	838
Total current financial liabilities	f=(d+e)	6,609
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	(g)	—
Total Financial liabilities (Gross financial debt)	h=(c+f+g)	32,636

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosures on financial instruments".

Gross financial debt according to the original currency of the transaction is as follows:

	12.31.2023		12.31.2022	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,696	5,155	5,901	5,532
GBP	—	—	389	439
BRL	21,670	4,051	17,348	3,117
YEN	20,033	128	20,030	142
ILS	44	11	49	13
EUR		23,291		23,002
Total		32,636		32,245

For the exchange rates used for the conversion of amounts in foreign currency, see the Note 44 "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12.31.2023	12.31.2022
Up to 2.5%	4,138	5,873
From 2.5% to 5%	9,907	13,469
From 5% to 7.5%	10,309	6,920
From 7.5% to 10%	3,742	2,024
Over 10%	3,389	2,748
Accruals/deferrals, MTM and derivatives	1,151	1,211
Total	32,636	32,245

Following the use of hedging instruments, on the other hand, gross financial debt by nominal interest rate level is:

(million euros)	12.31.2023	12.31.2022
Up to 2.5%	6,390	8,416
From 2.5% to 5%	8,443	13,168
From 5% to 7.5%	9,719	5,039
From 7.5% to 10%	2,917	1,192
Over 10%	4,016	3,219
Accruals/deferrals, MTM and derivatives	1,151	1,211
Total	32,636	32,245

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

-+	maturing by 12/31 of the year:						Total
	2024	2025	2026	2027	2028	After 2028	
Bonds	2,867	2,220	1,970	1,470	3,214	6,305	18,046
Loans and other financial liabilities	982	1,080	1,588	423	2,040	(87)	6,026
Finance lease liabilities	751	612	578	537	471	2,545	5,494
Total	4,600	3,912	4,136	2,430	5,725	8,763	29,566
Current financial liabilities	1,377	—	—	—	—	—	1,377
Total	5,977	3,912	4,136	2,430	5,725	8,763	30,943

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12.31.2023	12.31.2022
Non-current portion	15,297	15,259
Current portion	3,266	2,799
Total carrying amount	18,563	18,058
Fair value adjustment and measurements at amortized cost	(517)	(506)
Total nominal repayment amount	18,046	17,552

The nominal repayment amount of bonds totaled 18,046 million euros, down by 494 million euros compared to December 31, 2022 (17,552 million euros) as a result of the new issuances/repayments/buybacks made in 2023.

(millions of original currency)	Currency	Amount	Issue date
New issues			
TIM S.p.A. 850 million euros 6.875%	Euro	850	1/27/2023
TIM S.p.A. 400 million euros 6.875%	Euro	400	4/12/2023
TIM S.p.A. 750 million euros 7.875%	Euro	750	7/20/2023
TIM Brasil Serviços e Participações SA 5,000 million BRL	BRL	5,000	7/31/2023
TIM S.p.A. 750 million euros 7.875%	Euro	750	9/28/2023

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 1,000 million euros 3.25%	Euro	1,000	1/16/2023
Telecom Italia S.p.A. 375 million GBP 5.875% ^(a)	GBP	375	5/19/2023
Telecom Italia S.p.A. 1,000 million euros 2.5%	Euro	1,000	7/19/2023
(a) Net of 25 million GBP repurchased in June 2016.			

(millions of original currency)	Currency	Amount	Buyback date
Buybacks			
Telecom Italia S.p.A. 750 million euros 3.625%, maturity 1/19/2024	Euro	300	7/20/2023
Telecom Italia S.p.A. 1,250 million euros 4%, maturity 4/11/2024	Euro	300	7/20/2023

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond buy-backs, and also at market value:

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2023 (%)	Market value at 12/31/2023 (million euros)
Bonds issued by TIM S.p.A.								
Euro	450	450	3.625%	20/1/16	19/1/24	99.632	99.915	450
Euro	950	950	4.000%	11/1/19	11/4/24	99.436	99.777	948
USD	1,500	1,357	5.303%	30/5/14	30/5/24	100	99.564	1,351
Euro	1,000	1,000	2.750%	15/4/19	15/4/25	99.320	97.643	976
Euro	1,000	1,000	3.000%	30/9/16	30/9/25	99.806	97.833	978
Euro	750	750	2.875%	28/6/18	28/1/26	100	96.950	727
Euro	1,000	1,000	3.625%	25/5/16	25/5/26	100	98.467	985
Euro	1,250	1,250	2.375%	12/10/17	12/10/27	99.185	93.700	1,171
Euro	850	850	6.875%	27/1/23	15/2/28	100	106.731	907
Euro	400	400	6.875%	12/4/23	15/2/28	100.750	106.731	427
Euro	750	750	7.875%	20/7/23	31/7/28	99.996	111.422	836
Euro	750	750	7.875%	28/9/23	31/7/28	102	111.422	836
Euro	1,000	1,000	1.625%	18/1/21	18/1/29	99.074	86.604	866
Euro	670	670	5.250%	17/3/05	17/3/55	99.667	92.371	619
Subtotal		12,177						12,077
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	(a) 109.646	117.027	1,188
Subtotal		1,015						1,188
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,0	905	6.375%	29/10/03	15/11/33	99.558	97.921	886
USD	1,0	905	6.000%	6/10/04	30/9/34	99.081	95.348	863
USD	1,0	905	7.200%	18/7/06	18/7/36	99.440	100.717	911
USD	1,0	905	7.721%	4/6/08	4/6/38	100	102.488	928
Subtotal		3,620						3,588
Bonds issued by TIM S.A.								
BRL	1,600	299	IPCA+4.1682%	15/6/21	15/6/28	100	113.295	339
Subtotal		299						339
Bonds issued by TIM Brasil Serviços e Participações S.A.								
BRL	5,000	935	CDI+2.3%	31/7/23	25/7/28	100	103.963	972
Subtotal		935						972
Total		18,046						18,164

(a) Weighted average issue price for bonds issued with more than one tranche.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

Medium/long-term amounts **due to banks** totaled 5,262 million euros (5,898 million euros at December 31, 2022). Short-term amounts due to banks totaled 2,145 million euros (1,766 million euros at December 31, 2022) and included 1,033 million euros of the current portion of medium/long-term amounts due to banks and 854

million euros in repurchase agreements due by June 2024.

The **other medium/long-term financial payables** totaled 310 million euros (305 million euros at December 31, 2022), 126 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 242 million euros (195 million euros at December 31, 2022) and included 16 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term financial liabilities for lease contracts amounted to 4,743 million euros (4,597 million euros at December 31, 2022), whilst short-term payables totaled 838 million euros (870 million euros at December 31, 2022) and included 786 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the finance lease liabilities recognized in 2023 and 2022, the following is noted:

(million euros)	2023	2022
Principal reimbursements	742	708
Cash out interest portion	416	315
Total	1,158	1,023

Hedging derivatives relating to items classified as non-current financial liabilities amount to 397 million euros (234 million euros at December 31, 2022). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 66 million euros (193 million euros at December 31, 2022).

Non-hedging derivatives classified as non-current financial liabilities came to 15 million euros (43 million euros at December 31, 2022), while non-hedging derivatives classified under current financial liabilities amounted to 51 million euros (86 million euros at December 31, 2022). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

Covenants and negative pledges in place at December 31, 2023

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

Regarding loans taken out by TIM from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros. Currently, these loans are partially guaranteed.

In addition, on May 5, 2023, TIM took out a new 360 million euro loan with the EIB, partially guaranteed by SACE.

Therefore, at December 31, 2023 the nominal total of outstanding loans with the EIB was 1,060 million euros.

The EIB loans include the following covenants and commitments:

- in the event the company becomes the target of a merger, demerger or conferral of a business segment outside the TIM 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 agreements, 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 TIM 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 TIM Group companies other than TIM – except for the cases when that debt is fully and irrevocably secured by TIM – is lower than 35% (thirty-five percent) of the TIM 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 agreement or choose an alternative solution.

Some TIM loan agreements not contain financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the loan in place. These include the loan signed on July 6, 2022, which is backed by the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020, as subsequently amended and supplemented).

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, 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 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, except where certain conditions exist. 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 Group generally contain obligations to comply with certain financial ratios, as well as the usual other covenants, under penalty of a request for the early repayment of the loan.

Finally, as at December 31, 2023, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility

The following table shows committed credit lines^(*) available at December 31, 2023:

(billion euros)	12.31.2023		12.31.2022	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - May 2026	4.0	—	4.0	—
Total	4.0	—	4.0	—

(*) In accordance with the contract signed, the Banks have committed to make the funds available on demand (with at least 3 days' notice). As this is a "Committed" line, the banks have no mechanisms in place not to honor the request for funds made by the Company, without prejudice to the market standard early mandatory cancellation clauses (Natural contract expiry, Change in control, Borrower illegality, Events of default each as defined in the contract).

Rating at December 31, 2023

At December 31, 2023, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	B+	Under review for upgrade
MOODY'S	B1	Under review for upgrade
FITCH RATINGS	BB-	Under review for upgrade

On November 6, 2023, Moody's placed Telecom Italia's B1 rating under review in view of a possible future upgrade.

On November 9, 2023, Standard & Poor's placed Telecom Italia's B+ rating under review in view of a possible future upgrade.

On November 10, 2023, Fitch placed Telecom Italia's BB- rating under review in view of a possible future upgrade.

NOTE 17

NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at December 31, 2023 and December 31, 2022, determined in accordance with the provisions of the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.

This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		12.31.2023	12.31.2022
Liquid assets with banks, financial institutions and post offices	(a)	2,294	2,622
Other cash and cash equivalents	(b)	618	933
Securities other than investments	(c)	1,882	1,446
Liquidity	(d=a+b+c)	4,794	5,001
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,391	1,115
Current portion of non-current financial debt	(f)	5,044	4,663
Current financial debt	(g=e+f)	6,435	5,778
Net current financial debt	(h=g-d)	1,641	777
Non-current financial debt (excluding the current part and debt instruments)	(i)	9,667	9,523
Debt instruments	(j)	15,297	15,259
Trade payables and other non-current debt	(k)	68	117
Non-current financial debt	(l=i+j+k)	25,032	24,899
Total net financial debt as per ESMA guidelines 32-382-1138	(m=h+l)	26,673	25,676
Trade payables and other non-current debt		(68)	(117)
Non-current financial receivables arising from lease contracts		(112)	(49)
Current financial receivables arising from lease contracts		(162)	(69)
Financial receivables and other current financial assets		(515)	(23)
Other financial receivables and other non-current financial assets		(40)	(48)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	(n)	(897)	(306)
Net financial debt carrying amount (*)	(p=m+n)	25,776	25,370
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(120)	(6)
Adjusted Net Financial Debt	(r=p+q)	25,656	25,364

(*) As regards the effects of related-party transactions on net financial debt, reference should be made to the specific table included in Note 40 "Related-party transactions".

Additional cash flow information required by IAS 7

(million euros)	12.31.2022	Cash movements		Non-cash movements			12.31.2023
		Receipts and/or issues	Payments and/or reimbursements	Exchange differences	Fair value changes	Other changes and reclassifications	
Financial payables (medium/long-term):							
Bonds	18,058	3,676	(3,032)	(148)	(36)	45	18,563
Amounts due to banks	6,743	361	(833)	(1)		25	6,295
Other financial payables	324			(8)		10	326
(a)	25,125	4,037	(3,865)	(157)	(36)	80	25,184
of which short-term	3,663						4,315
Medium/long-term finance lease liabilities:							
	5,453	373	(742)	91		354	5,529
(b)	5,453	373	(742)	91	—	354	5,529
of which short-term	856						786
Other medium/long-term financial liabilities:							
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature	427			(113)	161	(12)	463
Non-hedging derivative liabilities	125			4	(54)	(9)	66
Other liabilities	—					3	3
(c)	552	—	—	(109)	107	(18)	532
of which short-term	275						117
Financial payables (short term):							
Amounts due to banks	921					191	1,112
Other financial payables	194			(5)	1	89	279
(d)	1,115	—	—	(5)	1	280	1,391
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:							
(e)	—	—	—	—	—	—	—
Total Financial liabilities (Gross financial debt)	(f=a+b+c+d+e)	32,245	4,410	(4,607)	(180)	72	32,636
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature							
(g)	1,519			(400)	(23)	(11)	1,085
Non-hedging derivative receivables	(h)	166		(14)	(19)	19	152
Total	(i=f-g-h)	30,560	4,410	(4,607)	234	688	31,399

The change in short-term payables to banks (191 million euros) is mainly due to the opening/closing of Repurchased credit agreements and bank credit lines.

The value of the paid and collected interest expense reported in the Statements of Cash Flows takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(million euros)	2023	2022
Interest expense paid	(2,103)	(1,668)
Interest income received	597	562
Net total	(1,506)	(1,106)

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2023	2022
Interest expense paid	(1,741)	(1,297)
Interest income received	235	191
Net total	(1,506)	(1,106)



National Recovery and Resilience Plan (NRRP)

Introduction

In August 2022, the TIM Group (“TIM”) signed agreements with Infratel (“Distributing Entity”), relating to the award of three infrastructure tenders in the sector, for public grants to finance investment projects concerning the construction of new telecommunications infrastructure and related access equipment.

In these three tenders, which contain a clawback clause¹, TIM has won about 50% of the lots planned for **ITALIA 1G Plan (“1G”)** in temporary consortium (RTI) with FiberCop; all tenders for the **5G Backhauling Plan (“5G_BH”)**; the entire tender for the **5G Coverage Plan (“5G_CO”)** in temporary consortium (RTI) with INWIT and Vodafone.

The 3 calls involve investments and undertakings by TIM until June 30, 2026, with interim half-yearly milestones. The total value is approximately 3.6 billion euros, with a booked contribution of 2.5 billion euros. Specifically:

- the 1G tender is for eligible investments of 2.6 billion euros and a contribution of 1.6 billion euros (average financeable capex of 62%);
- the 5G_BH tender is for eligible investments of 0.8 billion euros and a contribution of 0.725 billion euros (average financeable capex of 89%);
- the 5G_CO tender is for eligible investments of 0.158 billion euros and a contribution of 0.142 billion euros (average financeable capex of 89%).

Failure to achieve the milestones will lead to a penalty notice — reducing the contribution to be granted — which is recoverable within the next two milestones (i.e. within 12 months).

ITALIA 1G Plan

The Plan anticipates the creation of 2.9 million “address numbers” (this number was halved following the walk-in stage) and involves: the adaptation of fiber telecommunications networks; connectivity for consumer, business and public administration (PA) customers; dedicated connections for PA customers; and XGSPON technology coverage with download connections starting from 1 Gb.

5G Backhauling Plan

The Plan involves equipping mobile radio sites with fiber optic backhauling (BH) and connectivity on a high-performance, reliable and enabling transport network for all 5G services. These infrastructures will be made available in their entirety to all 5G mobile radio operators.

5G Coverage Plan

The Plan involves building new network infrastructure for the development of 5G mobile radio services, with the objective of achieving a transmission speed, under usual peak traffic conditions, of at least 150 Mbit/s in downlink and 30 Mbit/s in uplink.

Summary of Tenders

Every week, TIM sends weekly Infratel the official project tracking, communicating the status of the addresses/sites and the progress of the projects. In addition, every two weeks, a technical works update (in Italian: SAL) is held with the Distributing Entity to discuss the above-mentioned progress, critical issues and shared solutions to ensure that the plans proceed as expected.

Finally, every six months (i.e. at each milestone), TIM provides the Distributing Entity with a final summary of the addresses and sites, the progress made, and the planning of the next milestone.

Tender Advances

On May 12, 2023, INWIT (as representative for the 5G Coverage Plan) asked Infratel to activate and disburse a 20% advance payment (pursuant to art. 35, paragraph 18 of the Procurement Code); this advance may (at the discretion of Infratel) be increased up to a maximum of 30% in application of the “NRRP Decree”.

On May 25 and 26, 2023, TIM asked Infratel to activate and disburse an advance payment for Plan 1G (representing the temporary consortium) and Plan 5G_BH, in the same manner as described above.

On November 28, 2023, Infratel agreed to the request to advance 30% of the total grant awarded for the 1G and 5G Plans, setting forth a progressive recovery method whereby 40% of the payable grant would be applied at each technical works update (SAL) up to the amount advanced.

As a condition precedent for the disbursement of advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest.

These guarantees were issued to TIM by banks and insurance companies on December 21 and 22, 2023.

¹ It indicates the contractual provision that allows the monitoring of the profitability of the investment by quantifying any additional profits deriving from the comparison of active/passive revenues and the costs incurred for maintenance, reconfiguration, active equipment or other costs related to the provision of services.

The table below shows the amounts awarded, together with the advances for each plan:

(million euros)

Plan	Amount awarded	% requested	Advance	Advance to TIM	Advance to consortium (RTI)
1G	1,628	30 %	488		
5G_BH	725	30 %	217		
5G_CO	346	30 %		53	104
TOTAL	2,699		705	53	104
			758		

Guarantees issued:

(million euros)

Plan	Guarantee amount	Guarantee type	Total premiums/fees
1G	208	Bank	10
	317	Insurance	9
5G_BH	234	Insurance	10
5G_CO	112	Bank	57
TOTAL	871		86

On December 29, 2023, after receiving the advance from Infratel, INWIT transferred part of its advance allocated for the 5G_CO tender to TIM.

The advance for the 1G and 5G tenders was disbursed by Infratel on December 28, 2023. The advance for 5G_BH was credited on December 29, 2023. Due to a delay on the bank's side, the advance for the 1G tender was credited on January 2, 2024. Infratel requested that the value date be changed to December 29, 2023.

The advances credited for the 5G_BH and 5G_CO tenders are recognised in Cash and cash equivalents and those for the 1G tender in short-term financial receivables, whereas for all tenders a contra-entry has been recognised to Miscellaneous payables to Infratel for the advances received.

NOTE 18

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt composition. In consideration of the Group's operating activities, the optimum combination of medium/long-term non-current financial liabilities has been identified, on the basis of the nominal value, in the 65%-85% range for the fixed-rate component and in the 15%-35% range for the variable-rate component.

In managing market risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans in euros. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a "BBB-" rating from Standard & Poor's or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2023;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;

- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;
- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2023 (and also at December 31, 2022), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the single companies' financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2023 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of 42 million euros (53 million euros at December 31, 2022).

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12.31.2023			12.31.2022		
	Rate fixed	Rate variable	Total	Rate fixed	Rate variable	Total
Bonds	16,812	1,234	18,046	15,564	1,988	17,552
Loans and other financial liabilities	5,463	6,057	11,520	5,414	6,516	11,930
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	22,275	7,291	29,566	20,978	8,504	29,482
Total current financial liabilities	1,123	254	1,377	689	420	1,109
Total	23,398	7,545	30,943	21,667	8,924	30,591

Total Financial assets (at the nominal investment amount)

(million euros)	12.31.2023			12.31.2022		
	Rate fixed	Rate variable	Total	Rate fixed	Rate variable	Total
Cash and cash equivalents	—	2,294	2,294	—	2,621	2,621
Securities	1,515	1,044	2,559	1,520	908	2,428
Other receivables	1,365	9	1,374	1,085	63	1,148
Total	2,880	3,347	6,227	2,605	3,592	6,197

With regard to variable-rate financial instruments, the contracts provide for revisions of the related parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial Liabilities

(million euros)	12.31.2023		12.31.2022	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	18,019	5.68	17,504	4.67
Loans and other financial liabilities	13,467	5.62	13,530	4.78
Total	31,486	5.65	31,034	4.72

Total Financial assets

(million euros)	12.31.2023		12.31.2022	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	2,294	2.83	2,621	0.93
Securities	2,559	5.16	2,428	1.28
Other receivables	828	0.84	188	3.11
Total	5,681	3.59	5,237	1.17

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to Note 19 "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in Note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provisions are raised by customer segment according to the average uncollectibility estimated on the basis of statistical indicators. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

In order to improve credit risk management and relieve pressure on working capital, with specific reference to the offers for the Consumer and Small Business market involving the option of paying for products by installments, starting 2021, the company TIMFin has been operating, the result of the corporate joint venture between Santander Consumer Bank (SCB) and TIM.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2023, the liquidity margin available for the TIM Group is 8,695 million euros, with a decrease of 306 million euros with respect to end 2022 (9,001 million euros).

19% of gross financial debt at December 31, 2023 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2023, together with unused committed bank lines, are sufficient to fully cover the Group's financial liabilities due for the next 24 months.

The following tables report the contractual cash flows, not discounted to present value, relating to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2023. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the related hedging instruments. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year:						Total
		2024	2025	2026	2027	2028	After 2028	
Bonds	Principal	2,867	2,220	1,970	1,470	3,214	6,305	18,046
	Interest portion	953	830	741	649	545	3,159	6,877
Loans and other financial liabilities (*)	Principal	982	1,080	1,588	423	2,040	(87)	6,026
	Interest portion	200	135	65	(19)	(43)	(440)	(102)
Finance lease liabilities	Principal	751	612	578	537	471	2,545	5,494
	Interest portion	374	334	293	249	210	724	2,184
Non-current financial liabilities	Principal	4,600	3,912	4,136	2,430	5,725	8,763	29,566
	Interest portion	1,527	1,299	1,099	879	712	3,443	8,959
Current financial liabilities	Principal	1,377	—	—	—	—	—	1,377
	Interest portion	44	—	—	—	—	—	44
Total	Principal	5,977	3,912	4,136	2,430	5,725	8,763	30,943
	Interest portion	1,571	1,299	1,099	879	712	3,443	9,003

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)	maturing by 12/31 of the year:						Total
	2024	2025	2026	2027	2028	After 2028	
Disbursements	342	309	308	308	289	1,471	3,027
Receipts	(409)	(370)	(369)	(369)	(354)	(1,978)	(3,849)
Hedging derivatives – net (receipts) disbursements	(67)	(61)	(61)	(61)	(65)	(507)	(822)
Disbursements	188	62	152	141	121	35	699
Receipts	(142)	(42)	(151)	(146)	(133)	(32)	(646)
Non-Hedging derivatives – net (receipts) disbursements	46	20	1	(5)	(12)	3	53
Total net disbursements (receipts)	(21)	(41)	(60)	(66)	(77)	(504)	(769)

Market value of derivative instruments

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRSs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs involve the exchange of the reference interest and principal, in the respective denomination currencies.

The options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 19 DERIVATIVES

For hedge accounting we continued to apply the rules established by IAS 39.

Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.

Derivative financial instruments existing at December 31, 2023 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.

The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

Hedges: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2023 belong to a single item: hedging of cash flows from income flows of bond issues.

The hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce contrary effects on the underlying asset and on the derivative, as the asset leg of the latter faithfully reflects the underlying asset, while the liability leg is denominated in euro and is therefore insensitive to the exchange rate.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, hedges (although financially perfect) may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2023 and 2022; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	Hedged risk	Notional amount at 12/31/2023	Notional amount at 12/31/2022	Mark to Market Spot* (Clean Price) at 12.31.2023	Mark to Market Spot* (Clean Price) at 12/31/2022
Interest rate swaps	Interest rate risk		300	—	—
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		—	300	—	—
Interest rate swaps	Interest rate risk	4,474	4,994	130	249
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	4,841	5,184	417	770
Total Cash Flow Hedge Derivatives		9,315	10,178	547	1,019
Total Non-Hedge Accounting Derivatives		1,205	2,638	44	23
Total TIM Group's Derivatives		10,520	13,116	591	1,042

* Spot Mark-to-market above represents the market measurement of the derivative net of the accrued portion of the flow in progress.

The positions in non-hedge accounting derivatives also include IRS Euros for a total notional amount of 1,400 million euros; specifically, these are fair value hedges of bond loans in euros, maturing in January 2024 and which were discontinued in 2021.

In the same item the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction;
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 94 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)		—	
Assets				—	
Liabilities				—	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	—	—	—
Assets				—	
Liabilities				—	
Derivative instruments (spot value)		a)+b)		—	
Accruals					
Derivative instruments (gross value)					
Underlying instruments (1)	Bonds - Current/non-current liabilities				
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		—	
Ineffectiveness		a)+b)+c)			
Fair value adjustment for hedging settled in advance ⁽²⁾				(55)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.

(2) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item	Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	4,474	130	(119)
Assets			389	(14)	
Liabilities			(259)	(105)	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	4,841	417	(353)
Assets			600	(381)	
Liabilities			(183)	28	
Derivative instruments (spot value)		a)+b)	9,315	547	(472)
Accruals			74		
Derivative instruments (gross value)			621		
of which equity reserve gains and losses				(191)	
Determination of ineffectiveness					
Change in derivatives		c)			162
Change in underlying instruments ⁽³⁾		d)			(158)
Ineffectiveness ⁽⁴⁾	Positive fair value adjustment of financial derivatives - non-hedging	c)+d)			7
Equity reserve					
Equity reserve balance			(96)		
of which due to the fair value of hedging settled in advance				—	
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)			3	

(3) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.

(4) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

The change in the equity reserve attributable to the effective hedging component is equal to -190 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2022	Change				Balance 12/31/2023
		Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance	Total change	
	87					(103)
Change in the effective fair value of derivatives		(199)				
Change in the CVA/DVA		1				
Reversal for ineffectiveness 2019			3			
Amortization in P&L of the fair value of hedging settled in advance				5		
Overall change					(190)	

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	Notional amount in denomination currency (millions)	Start of period	End of period	Rate applied	Interest period	Hedging of notional amount in euro	Hedging of rate in euro
JPY*	20,000	Jan-24	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-24	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-24	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-24	May-24	5.303%	Semiannuall	1,321	4.180%
USD	1,000	Jan-24	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-24	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-24	Jun-38	7.721%	Semiannuall	645	7.451%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.

** Hedging of the sole income cash flow following a step-up on the loan.

For hedge accounting purposes, the Volatility Risk Reduction (VRR) Test was chosen to test the retrospective and prospective effectiveness of all hedges. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 20

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed; for fixed-rate loans:
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2023 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2023 and December 31, 2022 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair Value Through Other Comprehensive Income	FVTOCI
Fair Value Through Profit or Loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair Value Through Profit or Loss	FVTPL
Hedge Derivatives	HD
Not applicable	n.a.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2023

their fair value at 12/31/2023				Amounts recognized in financial statements			Levels of hierarchy of fair value					
(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2023	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3	Carrying amount under IFRS 16	Fair Value at 12/31/2023	
ASSETS												
Financial assets measured at amortized cost			AC	6,656	6,656	—	—				6,656	
Non-current assets												
Receivables from employees			(10)	31	31							
Other financial receivables			(10)	9	9							
Miscellaneous non-current receivables			(11)	154	154							
Current assets												
Receivables from employees			(10)	24	24							
Other short-term financial receivables			(10)	491	491							
Cash and cash equivalents			(10)	2,912	2,912							
Trade receivables			(14)	2,907	2,907							
Other current receivables			(14)	60	60							
Contract assets			(14)	68	68							
Financial assets measured at fair value through other comprehensive income			FVTOCI	1,616	—	1,616	—				1,616	
Non-current assets												
Other investments			(9)	100		100		36	23	41		
Securities other than investments			(10)	—		—		—				
Current assets												
Trade receivables			(14)			—						
Securities other than investments			(10)	1,516		1,516		1,516				
Financial assets measured at fair value through profit or loss			FVTPL	558	—	—	558				558	
Non-current assets												
Other investments			(9)	40			40	10	30			
Non-hedging derivatives			(10)	95			95		95	—		
Current assets												
Securities other than investments			(10)	366			366	366				
Non-hedging derivatives			(10)	57			57		57			
Hedge Derivatives			HD	1,085	—	1,085	—				1,085	
Non-current assets												
Hedge Derivatives			(10)	968		968	—		968	—		
Current assets												
Hedge Derivatives			(10)	117		117	—		117	—		
Financial receivables for lease contracts			n.a.	274							274	
Non-current assets			(10)	112							112	
Current assets			(10)	162							162	
Total				10,189	6,656	2,701	558	1,928	1,290	41	274	
											10,189	

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	note s	Carrying amount in financial statements at 12/31/2023	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2023	
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3			
LIABILITIES												
Financial liabilities measured at amortized cost		AC/HD	32,173	32,173							32,192	
Non-current liabilities												
Medium and long-term financial payables and other liabilities		(16)	20,872	20,872								
Current liabilities												
Short-term financial payables and other liabilities		(16)	5,654	5,654								
Trade and miscellaneous payables and other current liabilities		(24)	5,542	5,542								
Contract liabilities		(24)	105	105								
Financial liabilities measured at fair value through profit or loss		FVTPL	66	66							66	
Non-current liabilities												
Non-hedging derivatives		(16)	15	15							— 15	
Current liabilities												
Non-hedging derivatives		(16)	51	51							51 —	
Hedge Derivatives		HD	463	463 —							463	
Non-current liabilities												
Hedge Derivatives		(16)	397	397							— 397	
Current liabilities												
Hedge Derivatives		(16)	66	66							— 66	
Finance lease liabilities		n.a.	5,581								5,581	5,693
Non-current liabilities		(16)	4,743								4,743	
Current liabilities		(16)	838								838	
Total			38,283	32,173	463	66	—	514	15	5,581	38,414	

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2022

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		6,888	6,888	—	—					6,888
Non-current assets											
Receivables from employees		(10)	39	39							
Other financial receivables		(10)	9	9							
Miscellaneous non-current receivables		(11)	275	275							
Current assets											
Receivables from employees		(10)	21	21							
Other short-term financial receivables		(10)	2	2							
Cash and cash equivalents		(10)	3,555	3,555							
Trade receivables		(14)	2,874	2,874							
Other current receivables		(14)	96	96							
Contract assets		(14)	17	17							
Financial assets measured at fair value through other comprehensive income	FVTOCI		1,156	—	1,156	—					1,156
Non-current assets											
Other investments		(9)	116		116		56	20	40		
Securities other than investments		(10)	—		—		—				
Current assets											
Trade receivables		(14)			—						
Securities other than investments		(10)	1,040		1,040		1,040				
Financial assets measured at fair value through profit or loss	FVTPL		572	—	—	572					572
Non-current assets											
Non-hedging derivatives		(10)	119			119		119	—		
Current assets											
Securities other than investments		(10)	406			406	406				
Non-hedging derivatives		(10)	47			47		47			
Hedge Derivatives	HD		1,519	—	1,518	1					1,519
Non-current assets											
Hedge Derivatives		(10)	1,435		1,435	—		1,435	—		
Current assets											
Hedge Derivatives		(10)	84		83	1		84	—		
Financial receivables for lease contracts	n.a.		118							118	118
Non-current assets		(10)	49							49	
Current assets		(10)	69							69	
Total			10,253	6,888	2,674	573	1,502	1,705	40	118	10,253

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
LIABILITIES											
Financial liabilities measured at amortized cost		AC/HD	31,939	31,939							29,975
Non-current liabilities											
Financial payables (medium/long-term)		(16)	21,462	21,462							—
Current liabilities											
Financial payables (short-term)		(16)	4,760	4,760							—
Trade and miscellaneous payables and other current liabilities		(24)	5,584	5,584							
Contract liabilities		(24)	133	133							
Financial liabilities measured at fair value through profit or loss		FVTPL	129			129					129
Non-current liabilities											
Non-hedging derivatives		(16)	43			43		28	15		
Current liabilities											
Non-hedging derivatives		(16)	86			86		86	—		
Hedge Derivatives		HD	427		427	—					427
Non-current liabilities											
Hedge Derivatives		(16)	234		234	—		234	—		
Current liabilities											
Hedge Derivatives		(16)	193		193	—		193	—		
Finance lease liabilities		n.a.	5,467							5,467	5,404
Non-current liabilities		(16)	4,597							4,597	
Current liabilities		(16)	870							870	
Total			37,962	31,939	427	129	—	541	15	5,467	35,935

Gains and losses by IAS 9 category - Year 2023

(million euros)	Categories IFRS9	Net gains/(losses) 2023	of which interest
Assets measured at amortized cost	AC	(197)	117
Assets and liabilities measured at fair value through profit or loss	FVTPL	(55)	
Assets measured at fair value through other comprehensive income	FVTOCI	—	
Liabilities measured at amortized cost	AC	(1,366)	1,307
Total		(1,618)	1,424

Gains and losses by IAS 9 category - Year 2022

(million euros)	IFRS 9 categories	Net gains/(losses) 2022	of which interest
Assets measured at amortized cost	AC	(181)	106
Assets and liabilities measured at fair value through profit or loss	FVTPL	(141)	
Assets measured at fair value through other comprehensive income	FVTOCI	2	
Liabilities measured at amortized cost	AC	(1,056)	940
Total		(1,376)	1,046

NOTE 21

EMPLOYEE BENEFITS

These decreased by 277 million euros compared to December 31, 2022. The breakdown is as follows:

(million euros)	12.31.2021	Increases/ Present value	Decrease	Exchange differences and other changes	12.31.2022
Provision for employee severance (a)	678	(61)	(64)		553
Provisions for pension plans	21	(3)	(2)		16
Provision for termination benefit incentives and corporate restructuring	—	224		(1)	223
Total other employee benefits (b)	21	221	(2)	(1)	239
Total (a+b)	699	160	(66)	(1)	792
<i>of which:</i>					
non-current portion	699				684
current portion (*)	—				108

(*) The current portion refers only to Other provisions for employee benefits.

(million euros)	12.31.2022	Increases/ Present value	Decrease	Exchange differences and other changes	12.31.2023
Provision for employee severance (a)	553	25	(81)	(1)	496
Provision for pension and other plans	16	1	(2)	—	15
Provision for termination benefit incentives and corporate restructuring	223	14	(213)	(20)	4
Total other employee benefits (b)	239	15	(215)	(20)	19
Total (a+b)	792	40	(296)	(21)	515
<i>of which:</i>					
non-current portion	684				511
current portion (*)	108				4

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities** refers to only Italian companies and was down 57 million euros. The decreases of 81 million euros relate to indemnities paid during the year to employees who terminated employment or for advances.

The changes recorded in “Increases/Present value” are as follows:

(million euros)	2023	2022
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	17	12
Net actuarial (gains) losses for the year	8	(73)
Total	25	(61)

Effective return on plan assets

there are no assets servicing the plan.

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under “Employee benefits expenses” under “Social security expenses”. The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

The net actuarial losses recognized at December 31, 2023 amounted to 8 million euros (net actuarial gains of 73 million euros in 2022), and are essentially connected with both staff turnover and changes to the technical-economic parameters used in the valuation: the inflation rate forecast went from 2.30% at December 31, 2022 to 2.00% at December 31, 2023; the discount rate decreased, going from the 3.63% used at December 31, 2022 to 3.08% at December 31, 2023.

According to Italian law, the severance indemnity to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected

by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	2.00% per annum	2.00% per annum
Discount rate	3.08% per annum	3.08% per annum
Employee severance indemnities annual increase rate	3.0% per annum	3.0% per annum
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 496 million euros at December 31, 2023 (553 million euros at December 31, 2022).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 8.3 years.

CHANGES IN ASSUMPTIONS	Amounts (million euros)
Turnover rate:	
+0.25 p.p.	—
-0.25 p.p.	—
Annual inflation rate:	
+0.25 p.p.	(15)
-0.25 p.p.	14
Annual discount rate:	
+0.25 p.p.	19
-0.25 p.p.	(20)

The **Provision for pension and other plans** amounted to 15 million euros at December 31, 2023 (16 million euros at December 31, 2022) and mainly represented pension plans in place at foreign companies of the Group.

Provisions for termination benefit incentives and corporate restructuring amounted to 4 million euros at December 31, 2023, decreasing in 2023 by 219 million euros, mainly due to staff departures and the reclassification to debt of amounts not yet paid in relation to plans already set aside in previous years by Italian companies in the Domestic Business Unit.

NOTE 22

PROVISIONS

A decrease of 69 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)	12.31.2022	Increase	Taken to income	Used directly	Exchange differences and other changes	12.31.2023
Provision for taxation and tax risks	89	18		(3)	25	129
Provision for restoration costs	334	30	(1)	(11)	(42)	310
Provision for legal disputes	444	92		(76)	12	472
Provision for commercial risks	362	57	4	(174)	2	251
Provision for risks and charges on investments and corporate-related transactions	11	—	—		—	11
Other provisions	14	1		(3)	—	12
Total	1,254	198	3	(267)	(3)	1,185
of which:						
non-current portion	910					679
current portion	344					506

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account expected cash outflows.

The **provision for taxation and tax risks** increased by 40 million euros compared to December 31, 2022.

The **provision for restoration costs** related to the provision for restoration of leased real estate and sites used for mobile telephony and the dismantling of tangible assets (in particular: batteries, wooden poles); it is mainly attributable to the Parent Company TIM S.p.A. (158 million euros), the FiberCop company (127 million euros) and the Brazil Business Unit (24 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2023 included 333 million euros for the Domestic Business Unit and 139 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. In 2023, it decreased by 111 million euros, mainly in relation to the performance of the provision for contractual risks for onerous contracts (IAS 37) of the Parent Company TIM S.p.A., relating to contracts with certain counterparties for offer of multimedia content and for a connectivity agreement and representative of the net present value of the negative margin connected with these partnerships.

In particular, during the year 2023, the provision for contractual risks for onerous contracts of TIM S.p.A. decreased by 70 million euros mainly as a result of a utilisation of 98 million euros of the provisions for risks recognised in the years 2021 and 2022 only partially offset by the update, made in the year 2023, of the provision for risks related to an existing long-term relationship.

The **provision for risks and charges on investments and corporate-related transactions** is unchanged from December 31, 2022.

Other provisions for risks and charges come to 12 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 23

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item rose by 180 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)	12.31.2023	12.31.2022
Miscellaneous payables (non-current)		
Payables to social security agencies	595	400
Income tax payables (*)	—	—
Other payables	24	58
(a)	619	458
Other non-current liabilities		
Deferred revenues from customer contracts (Contract liabilities)	103	87
Other deferred revenue and income	329	354
Capital grants	275	247
(b)	707	688
Total	(a+b)	1,326

(*) Analyzed in the Note "Income tax expense".

Miscellaneous payables (non-current) include:

- **payables to social security agencies** amounting to 595 million euros, mainly relating to the non-current debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4 of Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015 (for further details see the Note "Employee benefits expenses"). This debt position (non-current and current portion) is as follows:

(million euros)	12.31.2023	12.31.2022
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	538	385
Due beyond 5 years after the end of the reporting period	57	15
	595	400
Current payables	290	244
Total	885	644

- **other payables** equal to 24 million euros at December 31, 2023 referring mainly to the Brazil Business Unit.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 103 million euros (87 million euros at December 31, 2022) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2023 will be reversed to the income statement generally by 2025. In particular, the item includes:
 - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (52 million euros);
 - TIM S.p.A. deferred revenues for network access subscription charges (19 million euros);
 - Deferred revenues of TIM S.p.A. for outsourcing charges (18 million euros);
 - deferred revenues from activation and installation fees for new contracts with TIM S.p.A. customers. (3 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.
- **Other deferred revenue and income** totaling 329 million euros; the item consisted of the non-current portion (approx. 107 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity.
- **Capital grants** of 275 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 24

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item rose by 1,185 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)	12.31.2023	of which Financial Instruments	12.31.2022	of which Financial Instruments
Trade payables				
Payables due to suppliers	5,042	5,042	4,943	4,943
Payables to other telecommunications operators	399	399	352	352
	(a) 5,441	5,441	5,295	5,295
Tax payables	(b) 194		216	
Miscellaneous payables				
Payables for employee compensation	323		247	
Payables to social security agencies	415		353	
Payables for TLC operating fee	480		324	
Dividends approved, but not yet paid to shareholders	52	52	48	48
Other	1,047	49	329	241
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months	4		108	
Provisions for risks and charges for the current portion expected to be settled within 12 months	506		344	
	(c) 2,827	101	1,753	289
Other current liabilities				
Liabilities from customer contracts (Contract liabilities)	829	105	840	133
Other deferred revenue and income	50		59	
Other	43		36	
	(d) 922	105	935	133
Total	(a+b+c+d) 9,384	5,647	8,199	5,717

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,441 million euros (5,295 million euros at December 31, 2022), mainly refer to:

- TIM S.p.A. (3,941 million euros); the increase on December 31, 2022 reflects the dynamics of payments relating to bills payable;
- Brazil Business Unit (943 million euros);

As of December 31, 2023, trade payables due in more than 12 months amounted to 44 million euros (59 million euros as of December 31, 2022) and are mainly represented by payables of the Brazil Business Unit for the renewal of telecommunications licenses.

Tax payables amounted to 194 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (109 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax authorities for tax payables withheld as withholding agent (63 million euros) and the amount payable for the government concession tax (2 million euros).

Miscellaneous payables mainly comprise:

- the current debt position towards INPS in view of the application of the agreements signed with the trade unions regarding the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015;
- advances on State grants to the parent company TIM S.p.A. for projects under the National Recovery and Resilience Plan (NRRP) amounted to 758 million euros. For more details, see Note 17 "Net financial debt".
- the current portion of employee benefits and provisions amounted to 510 million euros;

It should also be noted that in October 2023, the Adjusted Closing Price (Adjusted Closing Price) was finalized related to the acquisition by the Brazilian subsidiary TIM S.A. of part of the mobile telephony assets of the Oi group with the consequent extinction of the debt position of the buyer (134 million euros).

as of December 31, 2022). Further details are provided in the Note 25 “Disputes and pending legal actions, other information, commitments and guarantees”.

Other current liabilities amounted to 922 million euros at December 31, 2023 (935 million euros at December 31, 2022). They break down as follows:

- **Liabilities arising from contracts with customers (Contract liabilities)**, amounted to 829 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which they have received consideration. Liabilities with customers, generally with a maturity of up to 12 months, are shown below;

In particular:

- **contract liabilities** amounting to 7 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized;
- **customer-related items**, equal to 400 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription charges charged in advance;
- **progress payments and advances** equal to 53 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **Deferred revenue from contracts with customers, amounting to 369 million euros**, essentially comprising the Parent Company's deferred revenue for:
 - rent and maintenance (194 million euros);
 - interconnection charges (111 million euros);
 - subscription charges (46 million euros);
 - activation and installation of new contracts with customers (4 million euros).
- **Other deferred revenue and income** amounted to 50 million euros. They mainly refer to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Others**, amounting to 43 million euros. They mainly refer to the Parent Company and relate to payables for advances on network works in progress.

NOTE 25

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2023, as well as those that came to an end during the period. The TIM Group has posted liabilities totaling 366 million euros for those disputes described below where the risk of losing the case has been considered probable.

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

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

(a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2023, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 19.2 billion reais (18.2 billion reais at December 31, 2022), corresponding to approximately 3.6 billion euros at December 31, 2023. The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.1 billion reais (3.3 billion reais at December 31, 2022).

State taxes

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

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

- challenges of ICMS credits deriving from the “special credit” recognized by the company to its prepaid customers, against subsequent top-ups.

Overall, the risk for these cases, considered to be possible, amounts to 10.4 billion reais (9.6 billion reais at December 31, 2022).

Municipal taxes

Among disputes classified with a “possible” degree of risk, there are some relating to municipal taxes for a total amounting to around 1.7 billion reais (around 1.6 billion reais at December 31, 2022).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 4.0 billion reais (3.7 billion reais at December 31, 2022).

Golden Power Case

In August 2017 the Prime Minister's office brought proceedings against TIM (as well as Vivendi) in order to verify the fact that TIM has an obligation to notify, pursuant to the “Golden Power” law, Vivendi's acquisition of corporate control of TIM and the strategic assets it holds. In September 2017, the proceedings in question concluded by affirming that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders' Meeting that renewed TIM's corporate boards).

As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of the financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR): (i) accepted TIM's request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the “Golden Power” law). The guarantee bond was subsequently renewed up to November 30, 2024.

On September 13, 2023, TIM was notified that more than five years had elapsed since the appeal was filed, in accordance with Article 82 of the Code of Civil Procedure. TIM therefore requested that a public hearing be held to discuss the appeal. The public hearing was scheduled for January 10, 2024. Following the hearing, by way of order 709 of January 15, 2024, the Regional Administrative Court upheld the suspension of the proceedings, as previously dictated by non-final judgment 6310 of May 23, 2019, and upheld the suspension of the enforcement of the measure under the conditions dictated by that ruling, all of which pending the final judgment in the (injurious) case which remains pending before the President of the Republic regarding the duty to notify in accordance with the Golden Power provisions.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM's appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible. Following the hearing in chambers held on October 11, 2022, on January 24, 2023, the order was published whereby the Court of Cassation declared that Consob's petition was unacceptable, consequently ordering it to pay the dispute expenses.

Antitrust Case A428

At the conclusion of case A428, in May 2013, AGCM (the Italian Competition Authority) imposed two administrative fines of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM

retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM), and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgment no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM (the Italian Competition Authority) ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM's final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new Ultrabroadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM (the Italian Competition Authority) decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) to inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and the Authority communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel. With judgments 311 and 312/23 respectively of January 11, 2023, the regional administrative court rejected the appeals lodged by KPNQWest and CloudItalia. On April 11, 2023, KPNQWest (now Comm 3000) filed an appeal the regional administrative court's ruling before the Council of State.

Colt Technology Services - A428

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations. In a judgment of February 21, 2024, the Court of Milan rejected in its entirety Colt's claim for damages in the amount of 27 million euros.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.) - A428

With writ of summons before the Rome Court, COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision. In November 2021, TIM has appealed to the Court of Cassation over the judgment of the Court of Appeal of Rome in. The meeting in Council Chamber took place on June 13, 2023. By interlocutory order of July 19, 2023, the Court reinstated the case to the case register. The date of the public hearing has not yet been set.

Eutelia and Clouditalia Telecomunicazioni (now Irideos) - A428

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009–2012, following the technical boycott and margin squeeze conduct, subject of AGCM (the Italian Competition Authority) procedure A428. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings. On April 1, 2022, AGCM (the Italian Competition Authority) deposited the opinion envisaged by Art. 14, third subsection of Italian Legislative Decree 3/2017, whereby it: (i) proposed certain benchmarks for use to define the counterfactual scenario on which basis to quantify the damages allegedly suffered by Eutelia and Clouditalia; (ii) provided some additional indication and criteria to estimate the various damage items demanded by Eutelia and Clouditalia. At the hearing held on June 15, 2022, the Investigating Judge assigned time to the parties until July 8, 2022, by which to deposit written notes on the implications of the opinion of the AGCM (the Italian Competition Authority) and the contents of any queries to be raised with the court appointed expert. On October 24, 2022, the judge lifted the reservation and ordered an expert report on the *an* of TIM's conduct and the quantum of any damages suffered by Eutelia and Irideos as a result of such. On November 15, 2022, the court-appointed expert witness was sworn in. The hearing to examine the court-

appointed expert, originally scheduled for October 18, 2023, has been postponed to February 7, 2024. Following a request from the court-appointed expert to extend the deadline for filing the final report, the Judge once again postponed the hearing to examine the court-appointed expert to May 22, 2024.

Antitrust Case A514

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

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

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

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

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

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

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

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

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

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in Ultrabroadband network infrastructure. The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision.

In May 2021, the Company in any case paid the fine.

TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment 1963/2022 of February 28, 2022, TIM's appeal was rejected; TIM has appealed to the Council of State against the decision of the regional administrative court.

In August 2022, Irideos notified a deed of intervention *ad opponendum* with respect to TIM's principal appeal.

The related hearing for oral discussion was scheduled for May 25, 2023. At the end of the hearing, the Council of State ordered a report from a court-appointed expert on three issues regarding the profitability of the investment in “white areas” with low population density. On October 11, 2023, the court-appointed experts were sworn-in in the Council of State and requested an extension to the completion deadlines. Under the new deadlines granted by the Council of State, the expert report should be filed by May 2024.

The case is set for a public hearing on May 16, 2024.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF, without, however, quantifying such. During the course of proceedings, Open Fiber redetermined the damage allegedly suffered, taking it to 2.6 billion euros plus interest and monetary revaluation. Open Fiber has also clarified that it believes such damages are still to be suffered. Enel then quantified the damages allegedly suffered as approximately

228 million euros, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate. By order of July 17, 2023, the Court of Milan lifted the reservation and deferred the hearing for delivery of the verdict until April 3, 2024.

Irideos

In January 2022, Irideos summonsed TIM to the Court of Rome, making a claim for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded case A514 ("follow-on claim"). The compensation claim comes to 23,204,079.87 euros for damages caused by the anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the market for services of wholesale access to the Broadband and Ultrabroadband fixed network (the "wholesale market") and on the market for retail telecommunications services on the Broadband and Ultrabroadband fixed network (the "retail market"). TIM filed an appearance, contesting the opposing party's arguments. At the hearing held on June 1, 2022, the investigating judge (i) assigned the parties time for depositing the briefs with terms running from February 15, 2023 and (ii) deferred the case to the hearing of June 7, 2023. The hearing for the taking of evidence was set for October 5, 2023. The Judge, having taken note of Irideos' request to defer the hearing and motivated by the judgment pending in case A514 before the Council of State, deferred the hearing of the parties until October 10, 2024.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers is scheduled for February 16, 2023. At the hearing on February 16, 2023, at the request of the applicants, it was ordered that the case would be heard in open court, the date of which has not yet been set.

28-day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. On June 8, 2023, the EU Court of Justice published its decision concluding that the Italian legislation granting AGCom the power to impose a monthly or multi-monthly billing requirement on fixed and convergent telephone service operators for the renewal and invoicing of such offers, is not contrary to EU law. When proceedings resumed before the Council of State in December 2023, TIM requested that its appeal be ruled inadmissible due to a lack of interest. On January 18, 2024, the State Council declared the right to be extinguished.

With its Resolution 499/17/CONS, having confirmed the breach of Resolution 121/17/CONS, AGCom fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles.

In March 2018 with resolution no. 112/18/CONS AGCom (i) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle, (ii) cautioned TIM, with regard to fixed-line voice services only, against postponing the starting date of invoices issued after the return to monthly invoicing by the same number of days as those presumably deducted starting from June 23, 2017 with the four-weekly invoicing cycle.

Under Presidential Decree 9/18/PRES, AGCom amended the provisions of Decision 112/18/CONS requiring the deferment of billing once the billing cycle was restored to monthly intervals, or multiples thereof, while also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main consumer protection associations.

In July 2018, AGCom issued resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators had to return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. TIM has appealed all of the above resolutions.

With the judgment published in November 2018, the Regional Administrative Court (TAR) canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of *restitutio in integrum* to the fixed-line customers by December 31, 2018, the grounds for the judgment were instead published on May 10, 2019. TIM appealed the judgment to the Council of State.

In judgment 39 of January 2, 2024, the Council of State rejected TIM's main appeal, in keeping with its prior rulings in the appeals brought by the other operators, and upheld the legitimacy of the measures adopted by AGCom. In the same decision, the administrative court of appeal also rejected AGCom's counter-appeal aimed at reinstating the 1,160,000 euro sanction that had originally been imposed on TIM and was later annulled by the Lazio Regional Administrative Court.

In August 2019, AGCom initiated a new sanctions procedure (CONT 12/19/DTC) for failing to comply with the order to refund fixed and converged network customers for the days eroded by 28-day billing, through the procedures established in resolutions 112/18/CONS and 269/18/CONS. At the end of this procedure, the Authority found in Resolution 75/20/CONS that TIM had failed to comply with these resolutions and imposed a fine of 3 million euros. In July 2020, TIM appealed the decision before the Regional Administrative Court. We are waiting for a date to be fixed for the discussion hearing.

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on June 4, 2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 *terdecies* of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of prices paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators will need to comply with Resolution no. 121/17/CONS. TIM has appealed the judgment of the Court of Milan, at the same time filing a request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM's request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver. By judgment published on December 9, 2022, the Milan Court of Appeal confirmed the first instance judgment in full. On January 12, 2023, TIM notified the appeal to the Court of Cassation and on January 16, 2023 it also filed the appeal pursuant to Art. 373 of the Italian Code of Civil Procedure with the Milan Court of Appeal, asking that enforcement of the ruling be suspended until the judgment pending before the Court of Cassation had been settled.

By order of February 14, 2023, the Milan Court of Appeal, in partially upholding TIM's appeal, ordered suspension of the judgment in connection with the order to send the recorded delivery letters to former customers, whilst awaiting the decision of the Supreme Court. By Order published on February 15, 2024, the Court of Cassation rejected TIM's appeal.

Antitrust Case I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFUE.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-*quinquiesdecies* of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure.

On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM (the Italian Competition Authority) confirmed the existence of the agreement between TIM, Vodafone, Fastweb, Wind Tre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. In April 2020, TIM also challenged the sanction order.

In a ruling published on July 12, 2021, the Lazio Regional Administrative Court upheld the petition and the grounds added and submitted by TIM, canceling the measures taken by AGCM (the Italian Competition Authority), including that relating to the existence of the agreement and application of the sanction.

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court.

On July 25, 2023, the Council of State reformed the decision of the Lazio Regional Administrative Court, upholding the validity of AGCM ((the Italian Competition Authority) measure in case I820 and referring to the Authority to redetermine the sanction in view of the reduced duration of the infringement.

In view of the rulings of the Council of State on the *quantum* of the sanction, TIM – in a petition dated August 28, 2023 – asked the AGCM (the Italian Competition Authority) for the redetermination of the sanction to take place in full adversarial proceedings between the parties as part of a special investigation procedure.

In its order of September 26, 2023, served on the Company on October 3, 2023, the AGCM (the Italian Competition Authority) informed TIM that it had quantified the fine at 100,670,526.00 euros, holding that it had no margins for discretion in executing the judgment of the Council of State. On October 12, 2023, TIM filed an appeal to overturn the judgment of the Council of State and, on October 13, 2023, filed an appeal before the Lazio Regional Administrative Court to annul the measure redetermining the sanction; TIM also requested the suspension of the measure as a precautionary measure, which was rejected by order of November 9, 2023. For both judgments a hearing on the merits has yet to be set.

In a communication dated December 6, 2023, the Authority urged TIM to pay the penalty of 100,670,526.00 euros plus legal interest accrued from November 3, 2023 until the day of actual payment amounting to 5,535,913.60 euros.

In a communication dated December 12, 2023, TIM contested the dueeness of such interest due to the absence of the prerequisites of liquidity and collectability required by Article 1282 of the Italian Civil Code, as well as an error in identifying the *dies a quo* for calculation.

The Authority's Budget Office responded on February 2, 2024, acknowledging an error in the calculation of legal interest, which was therefore restated to the amount of 4,121,837.47 euros, but reiterating that the same is due.

TIM decided to appeal to the Lazio Regional Administrative Court against the Budget Office's notice to challenge both the error in calculating the interest due and a defect in the Budget Office's competence.

Antitrust Case I850

By decision given on December 15, 2020, AGCM (the Italian Competition Authority) started an investigation in regard to the company Telecom Italia S.p.A., Fastweb S.p.A., Teemo Bidco S.r.l., FiberCop S.p.A., Tiscali Italia S.p.A. and KKR & Co. Inc., to ascertain the existence of any breaches of article 101 of the TFEU in relation to the coinvestment offer.

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority) intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country's fixed telecommunications infrastructures.

On August 6, 2021, TIM submitted a proposal of undertakings to AGCM (the Italian Competition Authority) in order to resolve the competition concerns subject of the investigation and close the proceedings without any sanction being applied.

On September 7, 2021, AGCM (the Italian Competition Authority) judged these commitments to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM (the Italian Competition Authority) in respect of the relevant commitments.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM (the Italian Competition Authority) finally resolved to approve the commitments insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated.

As envisaged by the final ruling, on April 22, 2022, TIM sent AGCM (the Italian Competition Authority) a first report on the measures taken to fulfill the commitments made.

On May 11, 2022, AGCM (the Italian Competition Authority) notified TIM of its acknowledgment of the measures presented in such report.

On January 31, 2023 TIM sent AGCM (the Italian Competition Authority) a second report on the implementation of the undertakings given.

On January 30, 2024, TIM sent AGCM (the Italian Competition Authority) the required annual report on the implementation of the undertakings given.

By petition notified in April 2022, Open Fiber challenged the above AGCM (the Italian Competition Authority) provision no. 3002, whereby the proceedings were closed, before the regional administrative court of Lazio; the petitioner believes that the commitments, made mandatory by the closure, are not sufficient to remove the anticompetitive aspects identified at the start of proceedings.

Upon completion of the interim hearing of last June 1, 2022, the regional administrative court rejected the request and scheduled the merits hearing for January 26, 2023. At the January 26 hearing, after extensive discussion, the judge reserved the right to deliberate. By judgment of April 14, 2023, the Regional Administrative Court rejected as unfounded the appeal of Open Fiber, which on July 10, 2023, appealed the Regional Administrative Court's judgment to the Council of State.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of content transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the publication on the AGCM (the Italian Competition Authority) website, market testing began.

The deadline for rebuttal arguments and proposing any accessory amendments to the commitments presented by TIM and DAZN is scheduled for March 7, 2022.

On February 23, 2022, TIM and DAZN were convened separately to the AGCM (the Italian Competition Authority) offices. During the hearing, the Offices informed TIM - and thereafter confirmed this in the hearing meetings - that in a hearing held on February 15, the Board deemed it necessary to make certain "accessory" changes in order to approve the commitments submitted.

On March 4, 2022, TIM and DAZN requested an extension of the deadline for the submission of observations, also in view of the new aspects that had emerged on February 23. The new deadline was set as March 23, 2022.

On March 22, 2022, TIM informed the Authority that the additional changes considered necessary by the Board to approve the commitments would have entailed a complete overhaul of the contents and economic balance of the agreements signed by TIM and DAZN, such as to make it no longer possible to pursue the hypothesized business model. At the same time, TIM informed the Authority of the start of negotiations with DAZN possibly concerning the revision of the distribution exclusivity clause, which was the main object of the Authority's investigation. Considering the complexity of negotiations, TIM requested an extension of another 30 days for submission of observations. The extension was authorized and the new deadline set as April 23, 2022.

On April 20, 2022, in consideration of the extension of negotiations, also due to the complexity and economic relevance of that being negotiated, DAZN and TIM requested an additional extension. The new deadline was set as May 9, 2022.

On May 9, 2022, TIM informed the Authority that it had declared willing to DAZN to waive the exclusivity of the distribution of Serie A football rights, as currently regulated by the Deal Memo, with DAZN consequently having the faculty to distribute such rights also through third party operators and that, in exchange for the willingness to waive this right, the Parties had begun negotiations for a review of the contracted economic commitment envisaged by TIM.

On June 7, 2022, the Authority ruled on the rejection of the commitments submitted, which "would appear, both where considered comprehensively and individually, to be unable to eliminate the anticompetitive aspects identified in the resolution that started the proceedings, insofar as they do not resolve the competition concerns highlighted in the initial proceedings, where not translated into shared contractual amendments such as to eliminate the critical competition issues" highlighted by the Authority.

Again on June 7, 2022, the Authority ruled on the deferral of the deadline for the conclusion of proceedings to March 31, 2023.

On August 2, 2022, TIM informed the Antitrust Authority that it had reached a new agreement with DAZN, under which the latter has the faculty to distribute football rights through any third party, surpassing the previous system of exclusivity in TIM's favor.

On January 20, 2023, notification was given of the investigation results (CRI).

AGCM (the Italian Competition Authority) believes that the agreement reached on January 27, 2021 (the "Deal Memo") had contents and resulted in effects that reduced competition for its entire duration (and therefore until stipulation of the new agreement on August 3, 2022).

On January 31, 2023, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until May 31, 2023.

TIM filed its statement of defence March 28, 2023, and the final hearing with the Authority was held on April 4, 2023.

On April 18, 2023, AGCM (the Italian Competition Authority) decided to again extend the deadline for the conclusion of the proceedings to June 30, 2023, due to the complexity of the defence put forward by the Parties in their pleadings.

On June 28, 2023, AGCM (the Italian Competition Authority) ruled that the conduct of TIM and DAZN constitutes an agreement restricting competition in breach of Article 101 TFEU.

Yet the arrangement – in particular regarding exclusivity – only lasted for approximately one month and its potentially restrictive effects on competition were neutralized by the Authority's timely initiation of the investigation procedure on July 6, 2021.

Indeed, the precautionary sub-proceedings instigated at the start of the first football season of the three-year period 2021-2024 actually prevented the effects of the arrangement from occurring, as at the beginning of August 2021 TIM and DAZN discontinued the application of the disputed contractual clauses through their own voluntary action. The original agreement was then replaced by a new contract, entered into in August 2022, in which any exclusivity was completely eliminated, thus rooting out the antitrust concerns about exclusivity of distribution.

Consequently, and in light of the mitigating circumstances recognised, AGCM (the Italian Competition Authority) imposed a fine of 760,776.82 euros on TIM and a fine of 7,240,250.84 euros on DAZN.

On September 20, 2023, TIM paid the fine with reservations in view of the appeal brought by the Company with the Lazio Regional Administrative Court against the decision against it. The public hearing for the discussion of the appeal was held on February 21, 2024 and the decision of the Regional Administrative Court is pending.

Antitrust Case A556

On November 30, 2022, AGCM (the Italian Competition Authority) started proceedings against TIM in order to verify the existence of an abuse of a dominant position in breach of Art. 3 of Law no. 287/90.

The proceedings stem from a report made by Fastweb concerning TIM's refusal to grant Fastweb its radio mobile signal coverage maps that had been requested in order to take part in the "Open tender for mobile telephone services for public authorities - Edition 9 - Sigef ID 2452" (Consip TM9 tender).

The authority simultaneously also launched precautionary sub-proceedings in accordance with Article 14-bis of Law No. 287/1990, aiming to verifying the existence of precautionary measures aiming to protect competition.

On December 20, 2022, the authority resolved that there were no grounds on which to take precautionary measures, in accordance with Art. 14-bis of Law no. 287/90 and thus closed the precautionary sub-proceedings, rejecting Fastweb's appeal.

On September 7, 2023, AGCM (the Italian Competition Authority) sent notice to TIM of the preliminary findings relating to the main proceedings in question.

AGCM (the Italian Competition Authority) noted that there was insufficient evidence or facts to confirm that TIM had abused a dominant position. As a result, AGCM (the Italian Competition Authority) did not bring any charges against the company.

On November 28, 2023, AGCM (the Italian Competition Authority) ruled that there was insufficient evidence to establish that TIM had abused a dominant position pursuant to Article 3 of Law 287/1990.

As a result, no financial sanction was imposed on TIM.

Antitrust Case PS 12304 "Billing after withdrawal"

On April 28, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice, challenging alleged undue billing following a request to terminate the line, including cases of switch to another operator, with reference to fixed and mobile telephony.

Although convinced of the diligence of its conduct, TIM decided to implement a series of measures to make the procedures for terminating contract, and, therefore, the related billing, even more efficient and transparent.

On March 31, 2023, the Authority resolved to wrap up the proceedings by imposing a fine of 200,000 euros; the amount of the fine was mitigated by the remedial actions taken by TIM. Similar proceedings were concluded by the authority against the main communication operators.

Universal Service

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCom for the analysis of iniquity second facie. Fastweb, Vodafone, Wind, AGCom and TIM appealed the judgment of the Regional Administrative Court with the Council of State; The hearings on the merits were set for April 4 and April 27, 2023. At the end of the hearing on April 4, 2023, the case was reserved for judgment. On April 18, 2023, the Council of Ministers issued a collegial order referring several issues to the EU Court of Justice for a preliminary ruling.

Dispute relating to "Adjustments on license fees" for the years 1994-1998

With regard to the judgments sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Lazio Regional Administrative Court (TAR) rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee. As the Ministry of Economic Development has not followed up on TIM's requests aimed at obtaining fulfillment of the judgment, TIM has submitted a further petition to the Council of State for failure to execute the judgment, but with judgment given in April 2022, the request for compliance brought by TIM was rejected. TIM appealed for revocation of this judgment to the Council of State. This appeal was declared inadmissible in judgment 3318/2023.

With two further judgments the Lazio Regional Administrative Court (TAR), reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgments. By judgment published in April 2022, the Council of State stressed the principles already set for 1994, namely that receivables that have become uncollectable for reasons not the fault of the operator, correctly handled in the accounts, on the financial statements and in terms of tax, can be deducted from the tax base for calculating the concession fee.

With reference to the 1998 fee adjustment (equal to about 41 million euros), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the Public Administration to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court to the Council of State.

Poste

There are some pending disputes brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgments issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a 2009 judgment of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgment by the same Court declared void one of the disputed contracts. After this judgment,

Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgment of the Supreme Court for amendment of the above judgment is still pending.

After the 2012 judgment of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgment was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal. The hearing in chambers was set for December 21, 2023. By order of February 29, 2024, the Supreme Court declared Poste's appeal inadmissible, putting an end to the litigation and ordering Poste to pay TIM's legal costs and the penalties provided for by Article 96, paragraphs 3 and 4 of the Code of Civil Procedure.

Elinet S.p.A. Bankruptcy

In 2014, the receiver of Elinet S.p.A., and subsequently the receivers of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the receivers of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of direction and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against.

The Court of Cassation declared inadmissible the appeals brought by the receivers of Elinet (bankrupt) and Elitel Telecom (bankrupt), ordering both bankrupts, jointly and severally, to reimburse TIM for the costs of litigation at the instance. The matter must therefore be considered definitively closed.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, inter alia, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award. Thereafter, the Opportunity Group, TIM and Telecom Italia Finance filed their briefs in the two proceedings pending before the Paris Court of Appeal, respectively against the 2016 Award and the 2020 Award. On January 8, 2024, both appeal proceedings were heard before the Paris Court of Appeal. A decision is pending in both cases.

Iliad (winback)

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros, and later to 292.8 million euros.

The proceedings ended in a judgment of September 25, 2023, which did not award Iliad any damages; TIM's counterclaim was declared inadmissible.

In its notice of appeal served on December 15, 2023, Iliad requested that the first-instance judgment be partially overturned, requesting, among other things, that TIM be ordered to pay full compensation of not less than 292.8 million euros for the pecuniary and non-pecuniary damage suffered by Iliad.

Iliad (restrictions on duration and termination costs)

By writ of summons notified in September 2021, Iliad Italia S.p.A. summonsed TIM before the Court of Milan for the alleged application to customers of unlawful contractual conditions in terms of time limits and economic costs for withdrawal with reference to mobile and fixed telephone offers, with a consequent petition to order TIM to compensate damages, currently quantified as 120.4 million euros.

The verdict hearing has been deferred until May 28, 2024.

Fastweb (Ethernet ATM migration)

By writ of summons notified in December 2021, TIM summonsed Fastweb before the Court of Milan, asking that it be ascertained and declared that Fastweb had not achieved the minimum objectives of migration from ATM bitstream technology to Ethernet bitstream technology in any of the 30 Collection Areas into which the national territory is divided by the deadline envisaged by industry regulation and the migration plan agreed by the parties; and therefore that it ascertain and declare that TIM is entitled to: (a) reverse the economic benefits relating to this migration granted retroactively from April 12, 2016 to Fastweb and (b) obtain from Fastweb the prices for the ATM bandwidth envisaged by the contract stipulated by the parties and the current Reference Offers in force *ratione temporis*; (c) therefore declare and order Fastweb to pay TIM the total amount of 79,240,329.47 euros (or other amount, potentially greater, as may be assessed during the course of proceedings).

Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract. Fastweb's application is essentially based on alleged delays in the development of Ethernet coverage. The counterparty complains of damages of around 81.4 million euros. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing was held on December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023. Subsequent to the filing of the preliminary motions, Fastweb re-quantified damage allegedly suffered as a result of TIM's unlawful conduct at approximately 101.1 million euros (of which 13.2 million euros is subject to the acceptance of TIM's main claim). At the hearing of June 13, 2023, the investigating judge reserved judgment. To dissolve this reservation, the G.I. ordered an expert report to be prepared by a court-appointed expert, who was to be appointed and sworn in on November 21, 2023. The public hearing for the examination of the court-appointed expert witness has been scheduled for September 17, 2024.

Iliad (INWIT)

By writ of summons notified in July 2022, Iliad Italia S.p.A. summonsed Telecom, Vodafone and Infrastrutture Wireless Italiane S.p.A. ("INWIT") before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. As a result of this conduct, Iliad has asked that Telecom be ordered, together with INWIT and Vodafone, to compensate the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The initial hearing took place on April 5, 2023, with the Judge reserving judgment on the objection as to the invalidity of the writ of summons brought by TIM. The initial hearing was deferred to October 11, 2023, following the admittance of the objection as to the invalidity of the writ of summons brought by TIM. At the hearing, the Judge set three dates for the exchange of pleadings between the parties: November 10, 2023, December 11, 2023, and January 2, 2024. The hearing for admission of evidence is scheduled for March 6, 2024.

(b) Other information

Mobile telephony - criminal proceedings

In March 2012 TIM was served notice of the conclusion of the preliminary inquiries, which showed that the Company was being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree n. 231/2001, for the offenses of handling stolen goods and counterfeiting committed, according to the alleged allegations, by fourteen employees of the so-called "ethnic channel", with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from TIM.

The Company, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defense, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against the Company be brought against the other defendants. In December 2012, the Public Prosecutor's Office filed a request for 89 defendants and the Company itself to be committed for trial.

During the preliminary hearing, the Company was admitted as civil party to the trial and, in November 2013, the conclusions in the interest of the civil party were filed, reaffirming TIM's total lack of involvement in the offenses claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses.

(quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

The Public Prosecutor appealed the acquittal and appealed to the Court of Cassation "*per saltum*". In January 2019, the Italian Supreme Court of Cassation agreed to the appeal and therefore ordered that the documents of the proceedings be sent to the Milan Court of Appeal.

The subsequent proceedings were concluded in October 2022: The Court of Appeal in Milan confirmed the outcome of the judgment challenged, repeating the acquittal of Telecom Italia and dismissing the requests for sentencing of the General Prosecutor's Office in regard to the Company. However, the General Prosecutor's Office again appealed to the Court of Cassation, this time against the judgment of the Milan Court of Appeal.

In September 2023, the Court of Cassation issued a final judgment rejecting the appeal filed by the Milan General Prosecutor's Office against the acquittal pronounced by the Court of Appeal.

The Court of Cassation, in particular, found the grounds presented by the General Prosecutor's Office to be inadmissible, thus acquitting Telecom of the indictment pursuant to Legislative Decree no. 231/2001 in a definitive judgment.

Dispute concerning the license fees for 1998

TIM has summoned the Prime Minister's Office to appear in a civil suit for compensation for damages caused by the Italian State through appeal ruling 7506/09, handed down by the Council of State in breach, in the view of the Company, of Community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgment that has become definitive, in respect of which no other remedy may be applied. The judgment of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgment concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgment in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of these analyses aimed at deciding the appeal, on January 25, 2021 the company filed a request with the Court of Appeal in Rome to bring forward the hearing (postponed as mentioned to January 25, 2022); This is to avoid the umpteenth adjournment of the case, which concerns the failure to comply with two *inter-partes* decisions rendered in the matter by the EU Court of Justice for a manifest violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies. By order of 2/22/2022, having acknowledged that one of its members had chosen to abstain, the Board re-submitted the case, arranging for the deeds to be sent onto the President of the Court of Appeal. On March 4, 2022, the case was reassigned to another judge. By judgment of March 31, 2022, the Board scheduled the hearing for December 1, 2022 for closing arguments. The Board has deferred the case to the hearing of January 19, 2023 for verbal discussion. Following the request made by the State advocacy, the case was deferred to the hearing of March 9, 2023 with judgment reserved. At the hearing on December 13, 2023, the Board granted the parties time to submit their closing statements and replies.

TIM S.A. - Arbitration proceedings no. 28/2021/SEC8

In March 2020, TIM S.A., a Brazilian subsidiary of the TIM Group, concluded negotiations with C6 bank and, in April 2020, launched exclusive offers for TIM customers who had opened C6 bank accounts and used their services. As compensation for this contract, TIM S.A. receives commission for each account activated, as well as the option of obtaining an investment in the bank upon achieving certain targets connected to the number of active accounts.

The number of shares received for each target achieved varies throughout the contract term, with the initial percentages being more advantageous for TIM due to the greater effort required for a new digital company to take off.

Even with the project's success, differences between the partners resulted in the initiation of arbitration proceedings in 2021.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce, by TIM S.A. against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. through which the interpretation will be discussed of certain clauses of the contracts governing the partnership. In the event of losing, the partnership may be dissolved.

On February 1, 2021, TIM S.A. announced that as part of this partnership it had obtained the right to exercise a Subscription Bonus to an indirect investment of approximately 1.44% in the share capital of Banco C6 S.A. due to the fulfillment of the 1st tier of agreed objectives in December 2020. This was to be exercised whenever deemed appropriate by the Company's management. If exercised, this subscription bonus will give TIM S.A. a non-controlling position, thereby not placing it in a position of significant control or influence over the management of Banco C6 S.A..

The Company subsequently exercised its option to purchase and convert C6 shares, representing 1.44% of the share capital, equal to 163 million reais.

TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group mobile telephone assets

On September 19, 2022, TIM S.A. announced that the Buyers (TIM S.A., Telefônica Brasil S.A. and Claro S.A.) of the mobile telephone assets of Oi Móvel S.A. (the "Seller") had identified differences in the assumptions and calculation criteria that, under the terms of the Share Purchase Agreement and Other Covenants ("SPA"), justify a proposal to change the Adjusted Closing Price ("ACP") by TIM S.A. of approximately 1.4 billion reais. In addition to differences relating to the Adjusted Closing Price, others have also been identified relating to the contracts of Cozani (the company into which TIM S.A.'s share of the assets, rights and obligations of the Oi Móvel mobile telephone business, flowed) with companies supplying mobile infrastructure services (site/tower rental), which, under the terms of the SPA, give rise to indemnity by the Seller in TIM S.A.'s favor, of approximately 231 million reais. As a result of the differences found, TIM S.A. retained an amount of 634 million reais (671 million reais at December 31, 2022).

On October 3, 2022, considering the Seller's express violation of the dispute resolution mechanisms provided for in the SPA, TIM S.A. communicated that the Buyers had no other alternative but to file an arbitration procedure with the Market Arbitration Chamber (Câmara de Arbitragem do Mercado) of B3 S.A. - Brasil, Bolsa, Balcão against the Seller to determine the effective amount of the adjustment to the Adjusted Closing Price, in accordance with the SPA.

On October 4, 2022, TIM S.A. was surprised by news published by the press and by a Material Fact released by the Seller that a preliminary decision had been handed down by the 7th Business Court of the Judicial District of Rio de Janeiro determining the deposit in court by the Buyers of approximately 1.53 billion reais - of which approximately 670 million reais by TIM S.A. - in an account linked to the court-ordered reorganization process of Oi, where it will be safeguarded until a later decision by the arbitration court. Said deposit was made into an account linked to the Court ahead of the installation of the Court of Arbitration.

TIM S.A. appealed the decision and on October 17, 2022, the Superior Court of Justice, by monocratic judgment, rejected TIM S.A.'s appeal and that of the other Buyers. Therefore, on October 19, 2022, TIM S.A. paid the 7th Business Court of the Judicial District of Rio de Janeiro, the amount of 670 million reais by way of guarantee.

On October 4, 2023, TIM S.A. reported that the Court of Arbitration had approved an agreement stipulated between the Company, Telefônica Brasil S.A. and Claro S.A. (the "Buyers") and Oi S.A. - Em Recuperação Judicial (the "Seller") to put an end to the dispute and arbitration proceedings relating to the post-closing adjustment of the purchase price assigned to Oi's mobile telephone assets. The final price for the portion of the mobile telephone assets attributed to TIM S.A., considering the post-closing adjustment negotiated in the agreement, was 6.68 billion reais, taking the closing date as reference ("TIM Adjusted Final Price").

Considering the TIM Adjusted Final Price, TIM S.A. has therefore redeemed a portion equal to half the amount that had been deposited in court and subsequently transferred to the Court of Arbitration, which was initially equivalent to approximately 317 million reais. The amount of the proceeds, redetermined at the closing date, will be updated with the 100% change in the CDI index until deposit in court, interest and/or monetary update applicable until the date on which the respective reimbursement is paid. The remaining amount has been collected by the Seller as part of the purchase price of the mobile telephone assets attributed to TIM S.A.. Following the agreement, all matters and disputes pending between TIM S.A. and Oi S.A. in connection with the acquisition of the mobile telephone assets, have been settled.



Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.

To cover such contingent liabilities, amounting to a total of around 220 million euros, provisions totaling approximately 9 million euros have been allocated solely for those cases for which payment is considered likely.

Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has commitments to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

(c) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 132 million euros.

The guarantees provided by third parties to Group companies, amounting to 7,921 million euros, related to guarantees provided by banks and financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the insurance guarantees, which totaled 2,343 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012 and Article 41, paragraph 5-bis of Italian Legislative Decree 148/2015 or the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,040 million euros, including 973 million euros for TIM S.p.A. and 67 million euros for Group companies. with reference to the bank guarantees issued in favour of INPS for which financial assets have been pledged, reference should be made to Note 10 "Non-current and current financial assets";
- TIM had bank guarantees issued in favor of Infratel over the advances of contributions under the National Recovery and Resilience Plan (NRRP) in relation to the "Italia 1 Giga" plans (lots 1 and 5) for a total exposure of 208 million euros. For more details, see Note 17 "Net financial debt".

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

There are also surety bonds on the telecommunication services in Brazil for 668 million euros.

The loan guarantees are described in the Note 16 "Non-current and current financial liabilities".

NOTE 26

REVENUES

This item rose by 508 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Equipment sales	1,343	1,188
Services	14,953	14,600
Total	16,296	15,788

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,168 million euros (1,205 million euros in 2022), included in Costs of services.

Revenues from services in 2023 include revenues for voice and data services on fixed and mobile networks for Retail customers for 7,871 million euros and for other Wholesale operators for 2,695 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 27

OTHER INCOME

This item decreased by 7 million euros compared to 2022. The breakdown is as follows:

(million euros)	2023	2022
Late payment fees charged for telephone services	37	39
Recovery of employee benefit expenses, purchases and services rendered	17	13
Capital and operating grants	44	38
Damages, penalties and recoveries connected with litigation	38	37
Estimate revisions and other adjustments	51	68
Income for special training activities	5	1
Other	14	17
Total	206	213

NOTE 28

ACQUISITION OF GOODS AND SERVICES

This item rose by 279 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Purchase of raw materials and goods (a)	1,158	1,164
Costs of services:		
Revenues due to other TLC operators	1,168	1,205
Costs for telecommunications network access services	127	130
Commissions, sales commissions and other selling expenses	1,453	1,263
Advertising and promotion expenses	237	235
Professional and consulting services	229	311
Utilities	537	507
Maintenance costs	532	518
Outsourcing costs for other services	407	406
Mailing and delivery expenses for telephone bills, directories and other materials to customers	32	37
Other service expenses	703	665
(b)	5,425	5,277
Lease and rental costs:		
Rent and leases	85	83
TLC circuit subscription charges	188	189
Other lease and rental costs	662	526
(c)	935	798
Total (a+b+c)	7,518	7,239

In 2023, lease and rental costs included around 10 million euros in short-term lease payments of modest value (approximately 12 million euros in 2022).

NOTE 29

EMPLOYEE BENEFITS EXPENSES

This item decreased by 193 million euros compared to 2022. The breakdown is as follows:

(million euros)	2023	2022
Ordinary employee expenses		
Wages and salaries	1,732	1,812
Social security expenses	627	658
Other employee benefits	162	153
(a)	2,521	2,623
Costs and provisions for agency contract work	(b)	1
Miscellaneous expenses for employees and other labor-related services rendered		
Charges for termination benefit incentives	6	222
Corporate restructuring expenses	456	329
Other	3	5
(c)	465	556
Total	(a+b+c)	3,180

Employee benefits expenses mainly related to the Domestic Business Unit for 2,648 million euros (2,868 million euros in 2022) and to the Brazil Business Unit for 338 million euros (311 million euros in 2022).

“Charges for termination benefit incentives” and “Corporate restructuring expenses” totaled 462 million euros (551 million euros in 2022) and are mainly linked to outgoing staff, envisaged according to the application of art. 4 of Law no. 92 of June 28, 2012 as per the agreements signed, during the year, with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit.

The average salaried workforce, including agency contract workers, stood at 43,145 employees in 2023 (45,912 in 2022). A breakdown by category is as follows:

(number of units)	2023	2022
Executives	554	589
Middle managers	3,804	4,090
White collars	38,669	41,059
Blue collars	87	159
Employees on payroll	43,114	45,897
Agency contract workers	31	15
Total average salaried workforce	43,145	45,912

The headcount at December 31, 2023, including agency contract workers, stood at 47,180 employees (50,392 at December 31, 2022), showing a decrease of 3,212 employees.

NOTE 30

OTHER OPERATING EXPENSES

This item rose by 56 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Write-downs and expenses in connection with credit management	233	236
Provision charges	88	129
TLC operating fees and charges	241	243
Indirect duties and taxes	109	104
Penalties, settlement compensation and administrative fines	32	25
Subscription dues and fees, donations, scholarships and traineeships	12	13
Sundry expenses	157	66
Total	872	816
<i>of which, included in the supplementary disclosure on financial instruments</i>	<i>233</i>	<i>236</i>

The non-recurring item in the financial year 2023 amounted to 134 million euros (77 million euros in the financial year 2022) and related mainly to regulatory penalties and provisions for onerous contracts.

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

NOTE 31

INTERNALLY GENERATED ASSETS

This item decreased by 21 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Intangible assets with a finite useful life	230	244
Tangible assets	308	315
Total	538	559

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 32

DEPRECIATION AND AMORTIZATION

These increased by 86 million euros compared to 2022. The breakdown is as follows:

(million euros)	2023	2022
Amortization of intangible assets with a finite useful life		
Industrial patents and intellectual property rights	1,045	1,069
Concessions, licenses, trademarks and similar rights	485	442
Other intangible assets	10	6
(a)	1,540	1,517
Depreciation of tangible assets owned		
Buildings (civil and industrial)	37	37
Plant and equipment	2,162	2,145
Manufacturing and distribution equipment	7	8
Other	155	158
(b)	2,361	2,348
Amortization of rights of use assets		
Property	440	398
Plant and equipment	483	474
Other tangible assets	35	38
Intangible assets	4	2
(c)	962	912
Total	(a+b+c)	4,863
		4,777

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to Note 39 "Segment Reporting".

NOTE 33

GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)	2023	2022
Gains on disposals of non-current assets:		
Gains on the retirement/disposal of intangible, tangible and user rights on rental	15	50
(a)	15	50
Losses on disposals of non-current assets:		
Losses on the retirement/disposal of intangible, tangible and user rights on rental	26	14
(b)	26	14
Total	(a-b)	36

NOTE 34

IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

(million euros)	2023	2022
Impairment reversals on non-current assets:		
on intangible assets	—	—
on tangible assets	—	—
(a)	—	—
Impairment losses on non-current assets:		
on intangible assets	—	—
on tangible assets	—	—
(b)	—	—
Total	(a-b)	—

The net impairment losses on non-current assets were null in 2023.

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 2023, 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.

Further details are provided in the Note 5 "Goodwill".

NOTE 35

OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2023	2022
Dividends from Other investments	2	2
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	45	206
Sundry income (expense)	6	(2)
Total	53	206
<i>of which, included in the supplementary disclosure on financial instruments</i>	<i>2</i>	<i>2</i>

The balance for the 2023 financial year mainly includes the income connected to the definition, in October 2023, of the Adjusted Closing Price relating to the acquisition by the Brazilian subsidiary TIM SA of part of the Oi group's mobile telephony assets (56 million euros). More in detail, on October 4, 2023, TIM S.A. reported that the Court of Arbitration had approved an agreement stipulated between the Company, Telefônica Brasil S.A. and Claro S.A. (the "Buyers") and Oi S.A. - Em Recuperação Judicial (the "Seller") to put an end to the dispute and arbitration proceedings relating to the post-closing adjustment of the purchase price assigned to Oi's mobile telephone assets. The final price for the portion of the mobile telephone assets attributed to TIM S.A., considering the post-closing adjustment negotiated in the agreement, was 6.68 billion reais, taking the closing date as reference ("TIM Adjusted Final Price").

Considering the TIM Adjusted Final Price, TIM S.A. has therefore redeemed a portion equal to half the amount that had been deposited in court and subsequently transferred to the Court of Arbitration, which was initially equivalent to approximately 317 million reais. The amount of the proceeds, redetermined at the closing date, will be updated with the 100% change in the CDI index until deposit in court, interest and/or monetary update applicable until the date on which the respective reimbursement is paid. The remaining amount has been collected by the Seller as part of the purchase price of the mobile telephone assets attributed to TIM S.A.. Following the agreement, all matters and disputes pending between TIM S.A. and Oi S.A. in connection with the acquisition of the mobile telephone assets, have been settled.

In financial year 2022 the balance mainly included the net capital gain connected to the sale of 41% of the share capital of the Daphne 3 holding company, which currently holds a 29.9% stake in Infrastrutture Wireless Italiane - INWIT (171 million euros) as well as the capital gain net connected to the sale of the stake in Satispay (33 million euros).

NOTE 36

FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,740 million euros (expense of 1,423 million euros in 2022) and comprises:

(million euros)	2023	2022
Finance income	1,095	1,115
Finance expenses	(2,835)	(2,538)
Net finance income (expenses)	(1,740)	(1,423)

The items break down as follows:

(million euros)	2023	2022
Interest expenses and other finance expenses:		
Interest expenses and other costs relating to bonds	(855)	(766)
Interest expenses to banks	(379)	(127)
Interest expenses to others	(70)	(51)
Finance expenses on lease liabilities	(426)	(377)
	(1,730)	(1,321)
Commissions	(61)	(70)
Other finance expenses (*)	(200)	(200)
	(261)	(270)
Interest income and other finance income:		
Interest income	137	122
Income from financial receivables, recorded in Non-current assets	2	3
Income from securities other than investments, recorded in Non-current	—	—
Income from securities other than investments, recorded in Current assets	25	23
Miscellaneous finance income (*)	50	51
	214	199
Total net finance interest/(expenses)	(a) (1,777)	(1,392)
Other components of finance income and expenses:		
Net exchange gains and losses	(3)	23
Net result from derivatives	(2)	39
Net fair value adjustments to fair value hedge derivatives and underlying instruments	—	—
Net fair value adjustments to non-hedging derivatives	42	(93)
Total other components of finance income and expenses	(b) 37	(31)
Total net finance income (expenses)	(a+b) (1,740)	(1,423)
<i>of which, included in the supplementary disclosure on net financial</i>	<i>(1,387)</i>	<i>(1,142)</i>

(*) of which IFRS 9 impact positive for 6 million euros in 2023, nil in 2022.

(million euros)	2023	2022
<i>Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	1	1
<i>Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	(1)	(7)
<i>Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI</i>	—	(6)
<i>Reversal of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	6	—
<i>Impairment losses on financial assets other than investments</i>	—	—

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

(million euros)	2023	2022
Foreign currency conversion gains	271	360
Exchange losses	(274)	(337)
Net exchange gains and losses	(3)	23
Income from fair value hedge derivatives	—	2
Charges from fair value hedge derivatives	—	(1)
Net result from fair value hedge derivatives (a)	—	1
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	461	426
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	(370)	(321)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component) (b)	91	105
Income from non-hedging derivatives	62	56
Charges from non-hedging derivatives	(155)	(123)
Net result from non-hedging derivatives (c)	(93)	(67)
Net result from derivatives (a+b+c)	(2)	39
Positive fair value adjustments to fair value hedge derivatives	—	—
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives	—	—
Net fair value adjustments (d)	—	—
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives	—	3
Negative fair value adjustments relating to fair value hedge derivatives	—	(3)
Net fair value adjustments (e)	—	—
Net fair value adjustments to fair value hedge derivatives and underlying instruments (d+e)	—	—
Positive fair value adjustments to non-hedging derivatives (f)	87	69
Negative fair value adjustments to non-hedging derivatives (g)	(45)	(162)
Net fair value adjustments to non-hedging derivatives (f+g)	42	(93)

NOTE 37

PROFIT (LOSS) FOR THE YEAR

The profit (loss) for the year can be analyzed as follows:

(million euros)	2023	2022
Profit (loss) for the year	(1,107)	(2,654)
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(1,441)	(2,925)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	(1,441)	(2,925)
Non-controlling interests:		
Profit (loss) from continuing operations	334	271
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interests	334	271

NOTE 38

EARNINGS PER SHARE

	2023	2022
Basic earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(1,441)	(2,925)
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	—
(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares (millions)	21,250	21,241
Basic earnings per share – Ordinary shares (euros)	(0.07)	(0.14)
Plus: additional dividends per savings share	—	—
Basic earnings per share – Savings shares (euros)	(0.07)	(0.14)
Basic earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(1,441)	(2,925)
Less: additional dividends for the savings shares	—	—
(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares (millions)	21,250	21,241
Basic earnings per share from continuing operations – Ordinary shares (euros)	(0.07)	(0.14)
Plus: additional dividends per savings share	—	—
Basic earnings per share from continuing operations – Savings shares (euros)	(0.07)	(0.14)
Basic earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Average number of ordinary and savings shares (millions)	21,250	21,241
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2023	2022
Average number of ordinary shares	15,222,590,778	15,213,524,300
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,250,382,477	21,241,315,999

	2023	2022
Diluted earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(1,441)	(2,925)
Dilution effect of stock option plans and convertible bonds (*)	—	—
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	—
(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares (millions)	21,259	21,241
Diluted earnings per share – Ordinary shares (euros)	(0.07)	(0.14)
Plus: additional dividends per savings share	—	—
Diluted earnings per share – Savings shares (euros)	(0.07)	(0.14)
Diluted earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(1,441)	(2,925)
Dilution effect of stock option plans and convertible bonds (*)	—	—
Less: additional dividends for the savings shares	—	—
(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares (millions)	21,259	21,241
Diluted earnings per share from continuing operations – Ordinary shares (euros)	(0.07)	(0.14)
Plus: additional dividends per savings share	—	—
Diluted earnings per share from continuing operations – Savings shares (euros)	(0.07)	(0.14)
Diluted earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Dilution effect of stock option plans and convertible bonds	—	—
Average number of ordinary and savings shares (millions)	21,259	21,241
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2023	2022
Average number of ordinary shares (*)	15,231,210,398	15,213,524,300
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,259,002,097	21,241,315,999

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition, for 2022, to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond reimbursed on March 26, 2022. Consequently, the "Net profit (loss) for the year attributable to owners of the Parent" and the "Profit (loss) from continuing operations attributable to owners of the Parent" are also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+10 million euros in 2022); As regards 2023 and 2022, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at December 31, 2023:

	Number of maximum shares issuable	Share capital (thousands of euros)	Additional paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	8,619,620			
2022-2024 Stock Options Plan	257,763,000	109,292		0.424
Total	266,382,620	109,292		

Further information is provided in Note 16 "Non-current and current financial liabilities" and Note 41 "Equity compensation plans".

NOTE 39

SEGMENT REPORTING

(a) Segment reporting

The operating segments of the TIM Group, organized for the telecommunications business and the related geographical location are as follows:

- **Domestic:** includes the activities in Italy relating to voice and data services on fixed and mobile networks for end users (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the provision of passive access services on the secondary copper and fiber network, and the activities of Noovle S.p.A. (Cloud and Edge Computing solutions), the activities of Olivetti (products and services for Information Technology), and, Domestic sector support structures.
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In view of the decision-making process adopted by the TIM Group, segment reporting is presented for financial operating data.

The results of financial management, income tax expense for the year, as well as profit (loss) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Third-party revenues	11,885	11,826	4,411	3,962	—	—	—	—	16,296	15,788
Intragroup revenues	37	32	1	1	—	—	(38)	(33)	—	—
Revenues by operating segment	11,922	11,858	4,412	3,963	—	—	(38)	(33)	16,296	15,788
Other income	190	196	17	17	—	—	(1)	—	206	213
Total operating revenues and other income	12,112	12,054	4,429	3,980	—	—	(39)	(33)	16,502	16,001
Acquisition of goods and services	(5,862)	(5,697)	(1,687)	(1,562)	(2)	(7)	33	27	(7,518)	(7,239)
Employee benefits expenses	(2,648)	(2,868)	(338)	(311)	(1)	(1)	—	—	(2,987)	(3,180)
of which: provisions for employee severance indemnities	—	—	—	—	—	—	—	—	—	—
Other operating expenses	(484)	(444)	(383)	(367)	(5)	(4)	—	(1)	(872)	(816)
of which: write-downs and expenses in connection with credit management and provision charges	(174)	(226)	(147)	(139)	—	—	—	—	(321)	(365)
Change in inventories	29	16	18	6	—	—	—	—	47	22
Internally generated assets	430	458	102	93	—	—	6	8	538	559
EBITDA	3,577	3,519	2,141	1,839	(8)	(12)	—	1	5,710	5,347
Depreciation and amortization	(3,545)	(3,518)	(1,318)	(1,259)	—	—	—	—	(4,863)	(4,777)
Gains (losses) on disposals of non-current assets	(22)	23	10	13	—	—	1	—	(11)	36
Impairment reversals (losses) on non-current assets	—	—	—	—	—	—	—	—	—	—
EBIT	10	24	833	593	(8)	(12)	1	1	836	606
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(12)	35	(17)	(11)	—	—	—	(1)	(29)	23
Other income (expenses) from investments	—	—	—	—	—	—	—	—	53	206
Finance income	—	—	—	—	—	—	—	—	1,095	1,115
Finance expenses	—	—	—	—	—	—	—	—	(2,835)	(2,538)
Profit (loss) before tax from continuing operations	—	—	—	—	—	—	—	—	(880)	(588)
Income tax expense	—	—	—	—	—	—	—	—	(227)	(2,066)
Profit (loss) from continuing operations	—	—	—	—	—	—	—	—	(1,107)	(2,654)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—
Profit/(Loss) for the year	—	—	—	—	—	—	—	—	(1,107)	(2,654)
Attributable to:	—	—	—	—	—	—	—	—	—	—
Owners of the Parent	—	—	—	—	—	—	—	—	(1,441)	(2,925)
Non-controlling interests	—	—	—	—	—	—	—	—	334	271

Revenues by operating segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from equipment sales - third party	1,201	1,059	142	129	—	—	—	—	1,343	1,188
Revenues from equipment sales - intragroup	—	—	(1)	—	—	—	1	—	—	—
Total revenues from equipment sales	1,201	1,059	141	129	—	—	1	—	1,343	1,188
Revenues from services - third party	10,684	10,767	4,269	3,833	—	—	—	—	14,953	14,600
Revenues from services - intragroup	37	32	2	1	—	—	(39)	(33)	—	—
Total revenues from services	10,721	10,799	4,271	3,834	—	—	(39)	(33)	14,953	14,600
Total third-party revenues	11,885	11,826	4,411	3,962	—	—	—	—	16,296	15,788
Total intragroup revenues	37	32	1	1	—	—	(38)	(33)	—	—
Total revenues by operating segment	11,922	11,858	4,412	3,963	—	—	(38)	(33)	16,296	15,788

Purchase of intangible, tangible and rights of use assets by operating segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Purchase of intangible assets	729	913	183	215	—	—	—	—	912	1,128
Purchase of tangible assets	2,298	2,178	643	650	—	—	—	—	2,941	2,828
Purchase of rights of use assets	674	464	542	489	—	—	—	—	1,216	953
Total purchase of intangible, tangible and rights of use assets	3,701	3,555	1,368	1,354	—	—	—	—	5,069	4,909
<i>of which: capital expenditures</i>	<i>3,148</i>	<i>3,207</i>	<i>834</i>	<i>870</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>3,982</i>	<i>4,077</i>
<i>of which: increases in lease/leasing contracts for rights of use assets</i>	<i>553</i>	<i>348</i>	<i>534</i>	<i>484</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>1,087</i>	<i>832</i>

Headcount by Operating Segment

(number of units)

	Domestic		Brazil		Other Operations		Consolidated Total	
	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022
Headcount	37,901	40,984	9,267	9,395	12	13	47,180	50,392

Assets and liabilities by Operating Segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022
Non-current operating assets	40,769	40,747	7,916	7,970	1	1	—	2	48,686	48,720
Current operating assets	4,027	3,975	1,046	907	19	19	(48)	(40)	5,044	4,861
Total operating assets	44,796	44,722	8,962	8,877	20	20	(48)	(38)	53,730	53,581
Investments accounted for using the equity method	266	262	271	277	—	—	—	—	537	539
Discontinued operations / Non-current assets held for sale										—
Unallocated assets									7,892	7,907
Total Assets									62,159	62,027
Total operating liabilities	9,746	8,886	2,214	2,133	22	23	(85)	(105)	11,897	10,937
Liabilities directly associated with Discontinued operations/Non-current assets held for sale										—
Unallocated liabilities									32,749	32,365
Equity									17,513	18,725
Total Equity and Liabilities									62,159	62,027

(b) Reporting by geographical area

(million euros)

		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2023	2022	2023	2022	12.31.2023	12.31.2022
Italy	(a)	11,590	11,553	10,987	10,928	40,549	40,495
Outside Italy	(b)	4,706	4,235	5,309	4,860	8,137	8,225
Total	(a+b)	16,296	15,788	16,296	15,788	48,686	48,720

(c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 40

RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related party transactions and the impact of those amounts on the TIM Group's separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Pursuant to Art. 5, paragraphs 8 and 9, of Consob Regulation no. 17221 of March 12, 2010 concerning "Related-party transactions" and subsequent amendments, in the 2023 financial year there are no transactions of greater importance, as defined by the Art. 4, paragraph 1, letter. a) of the aforementioned regulation which have significantly influenced the financial situation or results of the TIM Group.

In addition, there were no transactions concluded in 2023 that significantly impacted the equity position or results of the TIM Group, nor were there any changes or developments with respect to the related-party transactions described in the 2022 Report on Operations which had a significant effect on the financial position or on the performance of the TIM Group in 2023.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group - Governance - Governance Tools - Other Codes and Procedures section.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2023 and 2022 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	16,296	44	312			356	2.2
Other income	206	2	(11)			(9)	(4.4)
Acquisition of goods and services	7,518	124	207			331	4.4
Employee benefits expenses	2,987			74	17	91	3.0
Depreciation and amortization	4,863		5			5	0.1
Finance expenses	2,835	4				4	0.1

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	15,788	17	154			171	1.1
Other income	213	3				3	1.4
Acquisition of goods and services	7,239	270	221			491	6.8
Employee benefits expenses	3,180			76	24	100	3.1
Depreciation and amortization	4,777	29	4			33	0.7
Finance expenses	2,538	12				12	0.5

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of related-party transactions on the TIM Group separate consolidated statements of financial position line items at December 31, 2023 and December 31, 2022, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(112)		(64)		(64)	57.1
Current financial receivables arising from lease contracts	(162)		(53)		(53)	32.7
Non-current financial liabilities for lease contracts	4,743		2		2	—
Current financial liabilities for financing contracts and others	5,771	2			2	—
Current financial liabilities for lease contracts	838		3		3	0.4
Total net financial debt	25,776	2	(112)		(110)	(0.4)
Other statement of financial position line items						
Rights of use assets	5,515		51		51	0.9
Miscellaneous receivables and other non-current assets	2,187	2			2	0.1
Trade and miscellaneous receivables and other current assets	4,699	50	44		94	2.0
Miscellaneous payables and other non-current liabilities	1,326		19		19	1.4
Trade and miscellaneous payables and other current liabilities	9,384	29	71	23	123	1.3

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(49)		(1)		(1)	2.0
Current financial receivables arising from lease contracts	(69)		(11)		(11)	15.9
Non-current financial liabilities for lease contracts	4,597		10		10	0.2
Current financial liabilities for lease contracts	870		13		13	1.5
Total net financial debt	25,370		11		11	—
Other statement of financial position line items						
Rights of use assets	5,488		38		38	0.7
Miscellaneous receivables and other non-current assets	2,365	1			1	—
Trade and miscellaneous receivables and other current assets	4,539	26	55		81	1.8
Miscellaneous payables and other non-current liabilities	1,146		21		21	1.8
Trade and miscellaneous payables and other current liabilities	8,199	34	91	24	149	1.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2023 and 2022 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)

Purchase of intangible, tangible and rights of use assets on an accrual basis	5,069	39	27		66	1.3

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)

Purchase of intangible, tangible and rights of use assets on an accrual basis	4,909	42	29		71	1.4

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

Transactions with associates, subsidiaries of associates and joint ventures

The most significant values of the transactions with associates, subsidiaries of associates and joint ventures are summarized in the tables below.

It should be noted that following the sale by TIM, on August 4, 2022, of 41% of the share capital of the holding company Daphne 3 S.p.A., which holds a 29.9% stake in Italian Wireless Infrastructure ("INWIT"), INWIT ceased to be a related party; Therefore, the following tables show only the income statement line items for the 2022 financial year, which reflect the transactions carried out up to the date of sale.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Revenues			
Polo Strategico Nazionale S.p.A.	72	16	Supply of software and related installation and configuration services; security services; cloud services, Data Center spaces, connectivity, design.
INWIT S.p.A.		15	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing and maintenance services.
I-Systems S.A.	5	7	Services related to network operation and maintenance.
Italtel S.p.A.	2	1	Fixed and mobile telephony services including equipment, licenses and outsourcing services.
NordCom S.p.A.	1	1	Fixed and mobile telephony services including equipment, Microsoft maintenance and licenses, network connections and outsourcing.
TIMFin S.p.A.	(36)	(23)	Mobile and fixed voice services, outsourcing services and fees; costs related to financing transactions recognised as a reduction of the Parent Company TIM S.p.A.'s revenues.
Total revenues	44	17	
Other income	2	3	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.		167	Services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites.
I-Systems S.A.	80	67	Supply of multimedia communication services and capacity services.
Italtel S.p.A.	34	27	Supply of equipment and software licenses and related professional services; hardware and software maintenance services linked to TIM offers to end customers; network and security equipment maintenance services for a period of 24 months linked to the TIM offer for the customer Poste Italiane; supplies for the expansion of TIM's fiber network.
W.A.Y. S.r.l.	9	8	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	1	
Total acquisition of goods and services	124	270	
Depreciation and amortization		29	Amortisation of rights of use on backhauling connections to INWIT S.p.A.
Finance expenses			
INWIT S.p.A.		9	Finance expenses related to financial liabilities for rights of use.
TIMFin S.p.A.	4	3	Finance expenses for commission and other finance expenses.
Total finance expenses	4	12	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Net financial debt			
Current financial liabilities for financing contracts and others	2	—	Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Miscellaneous receivables and other non-current assets	2	1	Prepayment (non-current portion) of costs to Italtel S.p.A.
Trade and miscellaneous receivables and other current assets			
Polo Strategico Nazionale S.p.A.	45	20	Supply of products, software installation and configuration services, cloud servers, Data Center spaces, connectivity and design
I-Systems S.A.	1	3	Services related to network operation and maintenance.
Italtel S.p.A.	2	1	Supply of fixed and mobile telephone services including equipment, Microsoft licenses and outsourcing services; prepayment (current portion) of costs.
W.A.Y. S.r.l.	1	1	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	—	1	
Total trade and miscellaneous receivables and other current assets	50	26	
Trade and miscellaneous payables and other current liabilities			
Italtel S.p.A.	10	15	Supply contracts connected with investment and operation.
I-Systems S.A.	11	9	Supply of multimedia communication services and capacity services.
TIMFin S.p.A.	5	8	Miscellaneous costs for loans.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Total trade and miscellaneous payables and other current liabilities	29	34	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Italtel S.p.A.	39	35	Software development, FTTH design for FiberCop works, supply of hardware and software, installations of hardware and engineering services for the network platforms; supplies for the expansion of TIM's fiber network.
INWIT S.p.A.		7	IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	39	42	

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- Cassa Depositi e Prestiti Group (CDP) and Group subsidiaries;
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Revenues			
Cassa Depositi e Prestiti Group	311	153	Transfer of rights to use lead-in ducts and revenues for the rental of vertical segments, IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, application outsourcing services, cloud services, maintenance services to Open Fiber (formerly Metroweb) and electricity supply services.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	312	154	
Other income	(11)		Reversal of a CDP Group company's reimbursement due to Telenergia following the Council of State's decision no. 5002/2023 whereby the Court affirmed the right of Telenergia to retain the amounts collected under AEEGSI decision no. 333/2016.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	40	77	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables) and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion).
Havas Group	159	139	Service & advisory activities in the purchase of media space by the TIM Group; study and implementation of advertising campaigns for the TIM and KENA brands, editorial management services for TIM brands on social media and TIM Group data room management services
Vivendi group	8	5	Operational management of TIM's "TIM I Love Games" online store platform and related developments; TIM cloud gaming (TIMGAMES) service in SaaS mode; use of My Canal platform licenses.
Total acquisition of goods and services	207	221	
Depreciation and amortization	5	4	Purchase of underground infrastructure in black areas and purchase of connected fiber to Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Net financial debt			
Non-current financial assets	(64)	(1)	Lease agreements for aerial infrastructure with Open Fiber (Cassa Depositi e Prestiti group).
Current financial assets	(53)	(11)	Lease agreements for infrastructure with Open Fiber (Cassa Depositi e Prestiti group).
Non-current financial liabilities	2	10	Leasing contract for Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group
Current financial liabilities	3	13	Payable for purchase in IRU infrastructure from Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group.
Other statement of financial position line items			
Rights of use assets	51	38	Supply and installation of vertical segments and infrastructures for Open Fiber (a company of the Cassa Depositi e Prestiti group).
Trade and miscellaneous receivables and other current assets			
Cassa Depositi e Prestiti Group	43	55	IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, application outsourcing services, cloud services, maintenance services and electricity supply.
Havas Group	1	—	Prepaid expenses related to costs for advertising services.
Total trade and miscellaneous receivables and other current assets	44	55	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	18	19	Deferred income from deferred fees.
Vivendi group	1	2	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	19	21	
Trade and miscellaneous payables and other current liabilities			
Cassa Depositi e Prestiti Group	32	47	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion) and purchase of electricity.
Havas Group	36	42	Service & advisory activities in the purchase of media space by the TIM Group; study and implementation of advertising campaigns for the TIM and KENA brands, editorial management services for TIM brands on social media and TIM data room management services.
Vivendi group	3	2	Purchase of musical and television digital content, operative management of the TIM S.p.A. on-line store platform "TIM I Love Games" and related developments. TIM cloud gaming (TIMGAMES) service in SaaS mode; use of My Canal platform licenses.
Total trade and miscellaneous payables and other current liabilities	71	91	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Cassa Depositi e Prestiti Group	27	28	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion).
Vivendi group	—	1	Development of the discovery phase and MYCanal+ platform supply for the TimVision Service.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	27	29	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	8	9	
Telemaco	63	64	
Other pension funds	3	3	
Total employee benefits expenses	74	76	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	2	3	
Telemaco	20	20	
Other pension funds	1	1	
Total trade and miscellaneous payables and other current liabilities	23	24	

Remuneration to key managers

In 2023, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 18 million euros (24 million euros in 2022).

(million euros)	2023	2022
Short-term remuneration	15 ⁽¹⁾	14 ⁽³⁾
Long-term remuneration		1
Employment termination benefit incentives		5 ⁽⁴⁾
Share-based payments (*)	3 ⁽²⁾	4 ⁽⁵⁾
Total	18	24

(*) These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive, Stock Options Plan and Plans of the subsidiaries).

(1) of which 1.4 million euros recorded by the subsidiaries;

(2) of which 0.5 million euros recorded by the subsidiaries;

(3) of which 1.2 million euros recorded by the subsidiaries;

(4) of which 0.1 million euros recorded by the subsidiaries;

(5) of which 2.8 million euros recorded by the subsidiaries.

Short-term remuneration is paid during the reference year, and, at the latest, within the six months following the end of that period and, in 2023, do not include the effects of assessment differences related to 2022 costs amounting to -0.4 million euros. Likewise, they do not take in the value referring to the taxable amount of the LTI 2020-2022 Plan shares granted during the first half of 2023, amounting to 0.6 million euros.

In 2023, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. on behalf of key managers, amounted to 230,900 thousand euros (212,000 thousand euros in 2022).

In 2023, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:

Pietro Labriola	Managing Director and Chief Executive Officer of TIM S.p.A. General Manager of TIM S.p.A.

Managers:

Alberto Maria Griselli	Diretor Presidente TIM S.A.
Adrian Calaza Noia	⁽¹⁾ Chief Financial Office
Paolo Chiriotti	⁽²⁾ Chief Human Resources & Organization Office
Simone De Rose	⁽³⁾ Head of Procurement & Logistics
Massimo Mancini	Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia	⁽⁴⁾ Chief Regulatory Affairs Office
Agostino Nuzzolo	⁽⁵⁾ Head of Legal & Tax
Claudio Giovanni Ezio Ongaro	⁽⁶⁾ Chief Strategy, Business Development & Wholebuy Office
Elisabetta Romano	Chief Network, Operations & Wholesale Office
Andrea Rossini	⁽⁷⁾ Chief Consumer, Small & Medium and Mobile Wholesale Market Office
Eugenio Santagata	⁽⁸⁾ Chief Public Affairs & Security Office
Elio Schiavo	Chief Enterprise and Innovative Solutions Office

(1) From November 24, 2023, Interim Head of Administration, Finance & Control in the Chief Network, Operations & Wholesale Office.

(2) From November 24, 2023, Interim Head of Regulatory Affairs in the Chief Network, Operations & Wholesale Office.

(3) From November 23, 2023, Head of Procurement. From November 24, 2023, also Interim Head of Procurement in the Chief Network, Operations & Wholesale Office.

(4) From November 24, 2023, Interim Head of Regulatory Affairs in the Chief Network, Operations & Wholesale Office.

(5) From November 24, 2023, Interim Head of Legal & Tax in the Chief Network, Operations & Wholesale Office.

(6) Until November 23, 2023, Head of the Chief Strategy & Business Development Office. From November 24, 2023, also Interim Head of Strategy & Business Development in the Chief Network, Operations & Wholesale Office.

(7) Until November 23, 2023, Head of the Chief Consumer, Small & Medium Market Office.

(8) From November 24, 2023, Interim Head of Public Affairs & Security in the Chief Network, Operations & Wholesale Office.

NOTE 41

EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2023, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2023.

A summary is provided below of the plans in place at December 31, 2023.

Description of stock option plans

TIM S.p.A. 2022-2024 Stock Option Plan

The Shareholders' Meeting held on April 7, 2022, approved the one-shot 2022-2024 Stock Option Plan. The Plan aims to encourage Beneficiaries to create value for the Company's shareholders, aligning management's interests with the interests of TIM shareholders in terms of achieving the qualified objectives of the Industrial Plan and growth in the value of the Share in the medium-term. The Plan intends to also assure the possibility of attracting new managers from the outside, as the Industrial Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives.

The Plan has a strike price of 0.4240 euros, a three-year vesting period (1.1.2022-12.31.2024) and a two-year exercise period (from approval of the 2024 financial statements and through to the next two years).

The following performance conditions are also envisaged for the three-year period 2022-2024:

- Cumulative (reported) Economic-financial indicator (EBITDA-CapEx) with a weight of 70%
- ESG indicators with a total weight of 30%, structured into:
 - percentage of women in positions of responsibility (15%);
 - percentage of consumption of renewable energies (15%).

The level of achievement of the indicators determines the accrual of option rights over an interval that ranges from -10% to + 10% with respect to the target number allocated per bracket.

At December 31, 2023, there were a total of 145 addressees and the number of options assigned at target is 197,645,537.

For further details, see the Information Document on the initiative at <https://www.gruppotim.it/content/dam/gt/investitori/doc---avvisi/anno-2022/ita/Doc-informativo-Piano-stock-option-22-24.pdf>.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the rolling and equity based long-term incentive plan called LTI 2020-2022.

The Plan envisaged three incentive cycles, connected with the performance three-year periods 2020-2022, 2021-2023, 2022-2024; over time, two of the three incentive cycles have been launched: 2020-2022, 2021-2023.

On April 7, 2022, the Shareholders' Meeting approved, after acknowledging the changes in scenario, the obsolescence of the 2020-2022 Long Term Incentive Plan and replaced the third cycle of this plan with the new 2022-2024 Stock Options Plan described previously.

For more details on the 2020-2022 LTI Plan, see to the TIM Group's Consolidated Financial Statements as at December 31, 2022.

2020-2022 Cycle

The final results of the performance indicators tied to this cycle were approved by the TIM S.p.A. Board of Directors on March 15, 2023. 10,879,774 shares were assigned to the 102 beneficiaries still employed with TIM or the Group's subsidiaries as of December 31, 2022.

2021-2023 Cycle

The final results of the performance indicators tied to this cycle were approved by the TIM S.p.A. Board of Directors on March 6, 2024.

Valuation at December 31, 2023 of the gate to accessing maturity of the performance shares is below the value of the share at the Plan start-up: failure to satisfy the Gate condition determines the forfeiture of 28,913,829 Performance Shares at target and the maintenance - for the 107 recipients continuing their employment with TIM or Group subsidiaries at December 31, 2023 - of the right to receive a total of 8,619,620 shares (Attraction/Retention Shares).

TIM S.A. – Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now TIM S.A.) approved the long-term incentive plan for managers in key positions in the Company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share). The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a vesting period of 3 years.

At December 31, 2023, 100% of the rights assigned were considered as vested.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

At December 31, 2023, 100% of the rights assigned were considered as vested.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

Three vesting periods ended on December 31, 2023:

- **In 2021:** in compliance with the results approved on May 5, 2021, 267,145 shares were transferred to beneficiaries, of which 206,578 relating to the original volume accrued, 51,634 granted according to the degree to which objectives had been achieved and 8,933 shares as a result of the dividends distributed during the period.
- **In 2022:** in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).
- **In 2023:** in compliance with the results approved on May 8, 2023, in July 284,922 shares were transferred to beneficiaries, of which 230,188 relating to the original volume accrued, 25,174 granted according to the degree to which objectives had been achieved and 29,560 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 37,714 shares (30,471 relating to the original volume accrued, 3,330 acknowledged according to the degree to which the objectives had been achieved and 3,913 due to dividends distributed during the period).

At December 31, 2023, of the original volume assigned of 796,054 shares, 74,200 had been canceled due to the beneficiaries having left the company and 605,082 shares had been transferred to beneficiaries (458,602 related to the original volume vested, 114,663 recognized on the basis of performance achieved and 31,817 for effect of dividends distributed during the period). For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period), thus completing the 2020 grant.

TIM S.A. – Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the purchase operation for part of Oi Móvel's assets in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On February 9, 2023, the Board of Directors agreed to adjust the number of performance shares granted under the Special Grant by 220,743 to conform the award to the new participant role.

On December 31, 2023, two vesting periods were completed: with regard to the **traditional** grant:

- **2022:** in compliance with the results approved on April 26, 2022, in July 572,608 shares were transferred to beneficiaries, of which 463,608 relating to the original volume accrued, 87,605 granted according to the degree to which objectives had been achieved and 21,395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- **2023:** in compliance with the results approved on May 8, 2023, in July 169,462 shares were transferred to beneficiaries, of which 128,384 relating to the original volume accrued, 28,484 granted according to the degree to which objectives had been achieved and 12,594 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 17,576 shares (13,316 relating to the original volume accrued, 2,954 acknowledged according to the degree to which the objectives had been achieved and 1,306 due to dividends distributed during the period).

Regarding the **Special Grant**:

- **2022:** in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.
- **2023:** in compliance with the results approved on May 8, 2023, in July 1,038,041 shares were transferred to beneficiaries, of which 829,161 relating to the original volume accrued, 131,775 granted according to the degree to which objectives had been achieved and 77,105 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 92,254 shares (76,087 relating to the original volume accrued, 9,314 acknowledged according to the degree to which the objectives had been achieved and 6,853 due to dividends distributed during the period).

As of December 31, 2023, 737,521 of a total of 3,431,610 allocated shares had been canceled due to beneficiaries leaving the Company. This left a total of 821,942 shares that could be vested at the end of the period.

Year 2022

On April 26, 2022, plan beneficiaries were granted the right to receive a total of 1,227,712 shares, of which 927,428 performance shares restricted to performance conditions and with gradual vesting over 3 years and 300,284 restricted shares, with a vesting period of 3 years.

2023: in compliance with the results approved on May 8, 2023, in July 392,460 shares were transferred to beneficiaries, of which 264,305 relating to the original volume accrued, 110,928 granted according to the degree to which objectives had been achieved and 17,227 shares as a result of the dividends distributed during the period. At December 31, 2023, 192,105 shares had been canceled due to beneficiaries leaving the company. 392,460 shares were transferred to the beneficiaries, leaving a total of 771,302 shares that could be vested at the end of the period.

Year 2023

On July 31, 2023, plan beneficiaries were granted the right to receive a total of 1,560,993 shares, of which 1,189,900 performance shares restricted to performance conditions and with gradual vesting over 3 years and 371,093 restricted shares, with a vesting period of 3 years.

At December 31, 2023, the first vesting period had not yet concluded and 25,389 shares had been canceled due to beneficiaries leaving the Company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
2020-2022 LTI Plan – Second Cycle (2021-23)	—	0.42	n.a.	3 years	0.01	-0.720% at 3 years
SOP 2022-2024	0.424	—	34.6%	3 years	0.02	0.479% at 3 years

- (1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.
- (2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").
- (3) Dividends have been estimated on the basis of Bloomberg data.
- (4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Nominal value (reais)	Duration
PS/RS Plan 2018	14.41	3 years
PS/RS Plan 2019	11.28	3 years
PS/RS Plan 2020	14.40	3 years
PS/RS Plan 2021	12.95	3 years
PS/RS Plan 2022	13.23	3 years
PS/RS Plan 2023	12.60	3 years

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2023.

NOTE 42

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2023 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)
Carrying amount	(a)	17,513	(1,107)	25,776	(661)
Other income		(11)	(11)	20	(20)
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other expenses		(42)	(42)	39	(39)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(477)	(477)	389	(389)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, other provisions and charges		(126)	(126)	121	(121)
Net losses on disposals of non-current assets:		(4)	(4)	(3)	3
Other income (expenses) from investments		26	26	—	—
Other finance income		(2)	(2)	—	—
Other finance expenses		(34)	(34)	—	—
Total non-recurring effects	(b)	(670)	(670)	566	(566)
Income/(Expenses) relating to Discontinued operations	(c)	—	—	—	—
Figurative amount – financial statements	(a–b–c)	18,183	(437)	25,210	(95)

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2023	2022
Other income:		
Recovery of operating expenses	(11)	23
Acquisition of goods and services, Change in inventories:		
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs	(44)	(56)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(484)	(572)
Other operating expenses:		
Expenses related to disputes and regulatory sanctions and potential liabilities related to them, other provisions and charges	(134)	(77)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(673)	(682)
Gains (losses) on disposals of non-current assets:		
Net losses on disposals of non-current assets:	(3)	—
Impact on Operating profit (loss) (EBIT)	(676)	(682)
Other income (expenses) from investments:		
Net capital gain on corporate transactions	46	203
Finance income:		
Other finance income	(4)	—
Finance expenses:		
Other finance expenses	(35)	(11)
Impact on profit (loss) before tax from continuing operations	(669)	(490)
Tax realignment pursuant to Decree Law 104/2020 Art. 110	—	(1,964)
Income tax expense on non-recurring items	(1)	17
Impact on Profit (loss) for the year	(670)	(2,437)

NOTE 43

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2023 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 44

OTHER INFORMATION

(a) Exchange rates used to translate the financial statements of foreign operations^(*)

(local currency against 1 euro)		Year-end exchange rates (statements of financial position)		Average exchange rates for the year (income statements and statements of	
		12.31.2023	12.31.2022	2023	2022
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	24.72400	24.11600	24.00227	24.56358
CHF	Swiss franc	0.92600	0.98470	0.97174	1.00475
TRY	Turkish lira	32.65310	19.96490	25.72788	17.40879
GBP	Pound sterling	0.86905	0.88693	0.86984	0.85268
RON	Romanian leu	4.97560	4.94950	4.94676	4.93133
RUB	Russian ruble	99.55840	77.95160	92.48971	73.30944
North America					
USD	U.S. dollar	1.10500	1.06660	1.08157	1.05335
Latin America					
VES	Venezuelan bolivar	39.62740	18.04390	30.78872	6.87673
BOB	Bolivian boliviano	7.64290	7.38750	7.46531	7.25140
PEN	Peruvian nuevo sol	4.09640	4.08040	4.04772	4.03697
ARS	Argentine peso	894.53730	189.69730	319.80098	137.13626
CLP	Chilean peso	974.79000	909.36000	908.72842	917.46919
COP	Colombian peso	4,287.88000	5,194.90000	4,672.59585	4,474.96042
BRL	Brazilian real	5.34964	5.56520	5.40158	5.43993
Other countries					
ILS	Israeli shekel	3.99930	3.75540	3.98749	3.53485
NGN	Nigerian naira	1,008.82030	493.65090	693.02751	449.06170

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.

(b) Research and Development

Costs for research and development activities are represented by external costs, dedicated employee benefits expenses and depreciation and amortization. Details are as follows:

(million euros)	2023	2022
Research and development costs expensed during the year	48	49
Capitalized development costs	1,016	906
Total research and development costs (expensed and capitalized)	1,064	955

The increase of 109 million euros compared to 2022 is mainly attributable to the consolidation of activities on the 5G network in relation to NRRP projects.

In the 2023 Separate Consolidated Income Statement, a total of 866 million euros of amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations ("Innovation, Research and Development" section).

(c) Lease income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2023 and at December 31, 2022 the lease installments at nominal value still to be collected totaled:

(million euros)	12.31.2023	12.31.2022
Within next year	97	91
From 1 to 2 years after the end of the reporting period	46	39
From 2 to 3 years after the end of the reporting period	41	38
From 3 to 4 years after the end of the reporting period	39	34
From 4 to 5 years after the end of the reporting period	37	33
Beyond 5 years after the end of the reporting period	34	30
Total	294	265

(d) Public Funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2023 and 2022:

Distributing entity	Area of intervention	Received in 2023 (million euros)	Received in 2022 (million euros)
Fondimpresa/Fondirigenti	training	3	3
Infratel	construction of network infrastructure	758 (*)	3
Ministry of Enterprises and Made in Italy (formerly the Ministry of Economic Development) ⁽¹⁾	research and innovation	3	3
ANPAL	training	3	—
Other ⁽²⁾		1	1
Total⁽³⁾		768	10

(*) include 488 million euros collected on January 2, 2024.

(1) 2023 – includes ChAALenge Project

(2) 2023 – MUR; Sector affected: research

(3) 2022 - includes 0.7 million euros in returns

TIM S.p.A. has been included among the beneficiaries of the Ministry Decree (Enterprise and Made in Italy) of March 5, 2018 and the ChAALenge innovation agreement of March 17, 2021 for a joint Research and Development project (Prog. no. F/180016/01-05/X43 - CUP B49J22002110005).

The project's "Smart Everything Everywhere" mode; aims to improve the quality of life of frail people in every environment by building an integrated system to support frailty and aging.

The project was rolled out between January 1, 2021 and December 31, 2023. In 2023, TIM received contributions of 366,600.33 euros.

(e) Directors' and statutory auditors' remuneration

Total remuneration due for 2023 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 4.166 million euros for directors and 0.610 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, subsections 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors and statutory auditors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

(f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2023 financial statements, and the fees referring to 2023 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2023 are also shown.

(euros)	EY S.p.A.			Other entities of the EY network			Total EY network
	TIM S.p.A.	Company subsidiaries	TIM Group	TIM S.p.A.	Company subsidiaries	TIM Group	
Audit services	2,933,822	2,397,473	5,331,295	—	2,395,156	2,395,156	7,726,451
Audit services with the issue of certification	223,094	—	223,094	—	43,195	43,195	266,289
Certification of compliance of the Consolidated Non-Financial Statement	82,239	—	82,239	—	52,022	52,022	134,261
Other services	37,000	—	37,000	—	—	—	37,000
Total 2023 fees due for auditing and other services to the EY network	3,276,155	2,397,473	5,673,628	—	2,490,373	2,490,373	8,164,001
Out-of-pocket expenses	50,490	25,630	76,120	—	29,157	29,157	105,277
Total	3,326,645	2,423,103	5,749,748	—	2,519,530	2,519,530	8,269,278

NOTE 45

EVENTS AFTER DECEMBER 31, 2023

TIM: received an offer from the Ministry of Economy and Finance for the purchase of Sparkle

On January 31, 2024, TIM received an offer from the Ministry of Economy and Finance to purchase Sparkle. The offer also references the possibility of negotiating another option, with possible adjustments to the contractual conditions, in the event that TIM retains a minority stake for a certain period of time and supports the implementation of the strategic plan.

TIM's Board of Directors met on February 7, 2024 to examine the offer. Deeming the offer to be unsatisfactory, the Board mandated the CEO to negotiate a different option with the Ministry with adjustments to the contractual conditions whereby TIM would retain a stake in the company for a certain period of time and support the implementation of the strategic plan.

TIM: clarifications on the seizure by the Milan Public Prosecutor's Office

On February 29, 2024, TIM S.p.A. (hereinafter also referred to as "the Company") was served a seizure order issued on February 8, 2024 by the Milan Preliminary Investigation Judge, ordering the preventive seizure of sums held in current accounts in the Company's name, for a total amount of €248,941,282.30.

The measure relates to an alleged cyber fraud (Article 640-ter of the Criminal Code) regarding "VAS" (Value Added Services) provided by third-party companies called CSPs ("Content Service Provider").

In this regard, it should be noted that TIM S.p.A. is not under investigation in the proceedings in question, and that the offence in dispute is not included among those which, under Legislative Decree no. 231 of 2001, could theoretically constitute a basis for an administrative offence attributable to the Company.

With specific reference to TIM S.p.A., evidence of a possible instance of fraud in this area only emerged in 2019, due to the significant number of disallowances of VAS services recorded in that year.

During this period, the Company reported these events to the Public Prosecutor's Office in Rome. The resulting proceedings – currently in the process of being dismissed – confirmed the Company's status as victim of the offence.

Moreover, the Company promptly took all necessary actions to neutralize the phenomenon of illicit activations of VAS services.

TIM, through its lawyers, is examining this matter and considering the most appropriate legal steps.

NOTE 46

LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
MINDICITY S.r.l. SOCIETA' BENEFIT (design, development, implementation, installation, management and marketing of software, hardware, electronic IT systems and telecommunications systems)	CASALMAGGIORE (CREMONA)	EUR	10,000	70.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
NOOVLE AI S.r.l. (in liquidation) (ICT services)	ROVERETO (TRENTO)	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (in liquidation) (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
OLIVETTI PAYMENT SOLUTIONS S.p.A. (in liquidation) (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	50,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI S.p.A. SOCIETA' BENEFIT (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center management)	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TIM SAN MARINO S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	100,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (USA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. - B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTICIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTICIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. V LIKVIDACI (in liquidation) (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (USA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications Services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. V LIKVIDÁCII (in liquidation) (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (USA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNİKASYON ANONİM ŞİRKETİ (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIM MY BROKER S.r.l. (insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TIM RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SAN MARINO S.p.A. (San Marino telecommunications management)	BORGOMAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TS-WAY S.r.l. (safeguarding and protecting the company's IT assets in the field of IT security)	ORVIETO (TERNI)	EUR	11,364	100.0000		TELSY S.p.A.
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,227,356,500	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0005	66.5885	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NÜRNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	99.9997		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in bankruptcy) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
DAPHNE 3 S.p.A. (acquisition, holding, management and disposal of shareholdings in INWIT)	MILAN	EUR	100,000	10.0000	(*)	TIM S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000		TIM S.A.
ITALTEL S.p.A. (telecommunications systems)	ROME	EUR	5,692,956	17.7200	(*)	TIM S.p.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (Specialized telecommunications applications, telephone line telecommunications, VoIP services)	ROME	EUR	181	16.5553	(*)	TELECOM ITALIA VENTURES S.r.l.
POLO STRATEGICO NAZIONALE S.p.A. (design, preparation, set-up and provision of a high-reliability national data network infrastructure for public administration)	ROME	EUR	3,000,000	45.0000		TIM S.p.A.
QTI S.r.l. (development, production and marketing of innovative products and services with high technological value)	FLORENCE	EUR	19,608	49.0000		TELSY S.p.A.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering activities)	ROME	EUR	15,000	36.0000		STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (financing to the general public, including financing in the form of personal and consumer loans)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and marketing of security and logistics geolocation products and systems)	TURIN	EUR	136,383	40.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	10.0195	(*)	TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (research and development, commercialization and patenting of all intellectual works related to technology, information technology and telecommunications)	MILAN	EUR	25,000	15.0160	(*)	TELECOM ITALIA VENTURES S.r.l.

(*) Associated company over which TIM S.p.A. directly or indirectly exercises significant influence pursuant to IAS 28 (*Investments in associates and joint ventures*).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
OTHER MAJOR INVESTMENTS						
CONSORZIO ITALIAN BROADCASTING ADVANCE SOLUTIONS (I.B.A.S.) (consultancy services for the management of joint promotional activities and related public relations of consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000		STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786		TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2850		TIM S.p.A.
MIX S.r.l. (internet service provider)	MILAN	EUR	2,500,000	11.0937		TIM S.p.A.
WIMAN S.r.l. (in liquidation) (development, management and implementation of platforms for WI-FI authentication on social media)	MATTINATA (FOGGIA)	EUR	22,233	13.4935		TELECOM ITALIA VENTURES S.r.l.

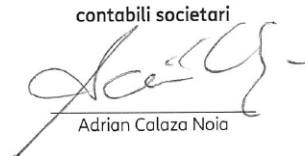
CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 DATED MAY 14, 1999, AS AMENDED

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Adrian Calaza Noia, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, subsections 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2023 fiscal year.
2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.
3. The undersigned also certify that:
 - 3.1. the Consolidated Financial Statements at December 31, 2023:
 - a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;
 - b) agree with the results of the accounting records and entries;
 - c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;
 - 3.2. The Report on Operations contains a reliable operating and financial review of the Company and of the consolidated Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 6, 2024

L'Amministratore Delegato

Pietro Labriola

Il Dirigente preposto alla
redazione dei documenti
contabili societari

Adrian Calaza Noia

INDEPENDENT AUDITORS' REPORT

**Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)**

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill - Domestic As of December 31, 2023, goodwill amounts to Euro 19,170 million and refers for Euro 18,153 million to the Domestic cash generating unit ("CGU") and for Euro 1.017 million to the Brazil CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 5 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill", "Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ▶ the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ▶ the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to each CGU; ▶ the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ▶ the assessment of the consistency of the future cash flows forecasts of each CGU with the Group business plan; ▶ the assessment of forecasts in light of their historical accuracy; ▶ the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

Revenue recognition

TIM Group's revenues amounted to Euro 16,296 million as of December 31, 2023, and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators).

Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to (i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, (ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and (iii) the complexity in estimating commitments connected to certain contracts.

The Group provides the relative disclosures in Note 26 "Revenues" of the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the processes underlying the revenue recognition;
- ▶ the understanding and verification of the design and operating effectiveness of the relevant controls over the revenue recognition process;
- ▶ the analysis of the application systems supporting the revenue recognition process;
- ▶ the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard;
- ▶ the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted;
- ▶ the analysis of the valuation of certain contracts identified as onerous contracts;
- ▶ the analysis of the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations;
- ▶ the analysis of the manual journal entries.

We also required external confirmations for a sample of customers and transactions.

Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.

Regulatory disputes

As of December 31, 2023, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by

Our audit procedures in response to the key audit matter included, among others:

-
- ▶ an understanding of the process put in place

significant counterparty requests.

The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the 1820 proceeding in which AGCM fined TIM for a conduct restricting market competition, (iii) the 1857 proceeding for a possible agreement restricting market competition in connection with the partnership with DAZN and (iv) the A514, and the related "follow-on" proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator.

The assessment of the disputes was carried out by Management, as of 31 December 2023, based on the opinion of the external lawyers, as well as considering the latest information available.

The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter.

Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

by Management for assessing disputes, accompanied by test of the effectiveness of the internal controls relevant for this process;

- ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
- ▶ testing of the "Legal Suite" database in order to assess the completeness of the proceedings in which the company is involved;
- ▶ the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;
- ▶ the analysis of the responses received from external lawyers following our external confirmations procedures.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Fiscal disputes in Brazil

As of December 31, 2023, the TIM Group is involved in several disputes with the Brazilian tax authorities.

The maximum potential liability associated with these disputes, as at December 31, 2023, amounts to Euro 3.6 billion. With reference to this potential liability, the Group recognized a provision of Euro 125 million with regards to the risks deemed probable.

The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the Management and, also considering the

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process;
 - ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
 - ▶ the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;
-

significance of the amounts involved, we considered it to be a key audit matter.

Disclosures related to the assessment of the risks relating to the fiscal disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

- ▶ the analysis of the responses to our external confirmation procedures received from external lawyers, also with the involvement of our experts in tax disputes.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Recoverability of deferred tax assets

As of December 31, 2023, deferred tax assets amount, net of impairment, to Euro 701 million in the consolidated financial statements.

Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements.

The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which they will be reversed.

The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan.

Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter.

Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the paragraphs "Income tax expense (current and deferred)" and "Use of estimates" and in note

Our audit procedures in response to the key audit matter included, among others:

- ▶ the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan;
- ▶ the assessment of the reasonableness of the accuracy of the forecasts compared with prior periods;
- ▶ the assessment of the Management calculations.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

12 "Income tax expense (current and deferred)".

Non-current assets held for sale/Discontinued operations

In execution of the resolutions adopted by the Board of Directors in November 2023, TIM S.p.A. signed the "Transaction Agreement" with KKR which regulates:

- ▶ the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia S.r.l. - in FiberCop S.p.A., a company that already manages the activities relating to the fiber and copper secondary network; and
- ▶ the simultaneous purchase by Optics Bidco (an entity controlled by KKR) of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself (also referred to as "Net.Co"), following the aforementioned contribution.

The transaction agreement provides that on the closing date a Master Services Agreement will be signed which will regulate the terms and conditions of the services that will be provided between NetCo and TIM S.p.A. following the completion of the transaction.

Once these activities are completed and the conditions precedent are fulfilled, NetCo will be classified by TIM as an Asset held for sale in accordance with IFRS 5.

Considering the level of judgment required and the complexity of the assumptions applied in assessing the potential impacts of the transaction, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 2 "Accounting policies" in the paragraph "Non-current assets held for sale/Discontinued operations".

Our audit procedures in response to the key audit matter included, among others:

- ▶ the analysis of contracts and documentation prepared by TIM and its Advisors to support management's decision-making process;
- ▶ the analysis of the procedure implemented by the Company for the identification of the perimeter subject to the transaction and the consistency of the assumptions used with respect to the criteria and methodology for the identification of the CGUs for the purposes of the impairment test;
- ▶ verifying the reasonableness of the assumptions used and the forecasts formulated regarding the effects of the transaction, once completed, in order to verify that, where appropriate, they have been reflected in the financial statements as at 31 December 2023;

In performing our analysis, we involved our experts in valuation techniques in order to verify the consistency between the analysis carried out by management and the assumptions used for the impairment test of the Domestic CGU.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express

an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2023, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 26, 2024

EY S.p.A.

Signed by: Ettore Abate, Auditor

As disclosed by the Directors, the accompanying consolidated financial statements of TIM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



TIM Group Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	Notes	12/31/2022	of which with related parties	12/31/2021	of which with related parties
Non-current assets					
Intangible assets					
Goodwill	5)	19,111	—	18,568	—
Intangible assets with a finite useful life	6)	7,656	—	7,147	—
		26,767	—	25,715	—
Tangible assets	7)				
Property, plant and equipment owned		14,100	—	13,311	—
Rights of use assets	8)	5,488	38	4,847	301
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	9)	539	—	2,979	—
Other investments	9)	116	—	156	—
Non-current financial receivables arising from lease contracts	10)	49	1	45	1
Other non-current financial assets	10)	1,602	—	2,285	—
Miscellaneous receivables and other non-current assets	11)	2,365	1	2,266	—
Deferred tax assets	12)	769	—	3,513	—
		5,440	—	11,244	—
Total Non-current assets	(a)	51,795	—	55,117	—
Current assets					
Inventories	13)	322	—	282	—
Trade and miscellaneous receivables and other current assets	14)	4,539	81	4,358	80
Current income tax receivables	12)	147	—	79	—
Current financial assets	10)				
<i>Current financial receivables arising from lease contracts</i>		69	11	56	—
<i>Securities other than investments, other financial receivables and other current financial assets</i>		1,600	—	2,391	—
<i>Cash and cash equivalents</i>		3,555	—	6,904	—
		5,224	—	9,351	—
Current assets sub-total		10,232	—	14,070	—
Discontinued operations /Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current assets	(b)	10,232	—	14,070	—
Total Assets	(b+a)	62,027	—	69,187	—

Equity and liabilities

(million euros)	Notes	12/31/2022	of which with related parties	12/31/2021	of which with related parties
Equity	15)				
Share capital issued		11,677	—	11,677	—
less: Treasury shares		(63)	—	(63)	—
Share capital		11,614	—	11,614	—
Additional paid-in capital		2,133	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		1,314	—	3,667	—
Equity attributable to owners of the Parent		15,061	—	17,414	—
Non-controlling interests		3,664	—	4,625	—
Total Equity		18,725	—	22,039	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	16)	21,739	—	23,437	—
Non-current financial liabilities for lease contracts	16)	4,597	10	4,064	269
Employee benefits	21)	684	—	699	—
Deferred tax liabilities	12)	84	—	245	—
Provisions	22)	910	—	926	—
Miscellaneous payables and other non-current liabilities	23)	1,146	21	1,413	27
Total Non-current liabilities	(d)	29,160		30,784	
Current liabilities					
Current financial liabilities for financing contracts and others	16)	5,039	—	5,945	1
Current financial liabilities for lease contracts	16)	870	13	651	74
Trade and miscellaneous payables and other current liabilities	24)	8,199	149	9,473	265
Income tax payables	12)	34	—	295	—
Current liabilities sub-total		14,142		16,364	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	(e)	14,142	—	16,364	—
Total Liabilities	(f=d+e)	43,302	—	47,148	—
Total Equity and Liabilities	(c+f)	62,027	—	69,187	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	Notes	Year 2022	of which with related parties	Year 2021	of which with related parties
Revenues	26)	15,788	171	15,316	62
Other income	27)	213	3	272	12
Total operating revenues and other income		16,001		15,588	
Acquisition of goods and services	28)	(7,239)	(491)	(6,550)	(497)
Employee benefits expenses	29)	(3,180)	(100)	(2,941)	(108)
Other operating expenses	30)	(816)	—	(1,502)	(3)
Change in inventories		22	—	10	—
Internally generated assets	31)	559	—	475	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		5,347		5,080	
<i>of which: impact of non-recurring items</i>	42)	<i>(682)</i>		<i>(1,143)</i>	
Depreciation and amortization	32)	(4,777)	(33)	(4,490)	(50)
Gains (losses) on disposals of non-current assets	33)	36	—	1	—
Impairment reversals (losses) on non-current assets	34)	—	—	(4,120)	—
Operating profit (loss) (EBIT)		606		(3,529)	
<i>of which: impact of non-recurring items</i>	42)	<i>(682)</i>		<i>(5,263)</i>	
Share of losses (profits) of associates and joint ventures accounted for using the equity method	9)	23	—	38	—
Other income (expenses) from investments	35)	206	—	126	—
Finance income	36)	1,115	—	1,124	1
Finance expenses	36)	(2,538)	(12)	(2,274)	(18)
Profit (loss) before tax from continuing operations		(588)		(4,515)	
<i>of which: impact of non-recurring items</i>	42)	<i>(490)</i>		<i>(5,144)</i>	
Income tax expense		(2,066)	—	(3,885)	—
Profit (loss) from continuing operations		(2,654)		(8,400)	
Profit (loss) from Discontinued operations/Non-current assets held for sale		—		—	
Profit (Loss) for the year	37)	(2,654)		(8,400)	
<i>of which: impact of non-recurring items</i>	42)	<i>(2,437)</i>		<i>(8,653)</i>	
Attributable to:					
Owners of the Parent		(2,925)		(8,652)	
Non-controlling interests		271		252	

(euros)	Year 2022	Year 2021
Earnings per share:		
Basic and Diluted Earnings Per Share (EPS)		
Ordinary Share	(0.14)	(0.40)
Savings Share	(0.14)	(0.40)
<i>of which:</i>		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	(0.14)	(0.40)
Savings Share	(0.14)	(0.40)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 15

(million euros)

	Year 2022	Year 2021
Profit (Loss) for the year (a)	(2,654)	(8,400)
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	(2)	7
Income tax effect	—	—
(b)	(2)	7
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	77	(8)
Income tax effect	(17)	(3)
(c)	60	(11)
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)	58	(4)
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	(130)	28
Loss (profit) transferred to Separate Consolidated Income Statement	21	(6)
Income tax effect	4	—
(f)	(105)	22
Hedging instruments:		
Profit (loss) from fair value adjustments	488	658
Loss (profit) transferred to Separate Consolidated Income Statement	(235)	(365)
Income tax effect	(61)	(71)
(g)	192	222
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	597	50
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	—	—
Income tax effect	—	—
(h)	597	50
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)	684	294
Total other components of the Consolidated Statement of Comprehensive Income (m=e+k)	742	290
Total comprehensive income (loss) for the year (a+m)	(1,912)	(8,110)
Attributable to:		
Owners of the Parent	(2,365)	(8,374)
Non-controlling interests	453	264

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2021 to December 31, 2021

(million euros)	Equity attributable to owners of the Parent								Total	Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year			
Balance at December 31, 2020	11,588	2,133	20	(350)	(2,538)	(119)	—	15,481	26,215	2,625	28,840
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(318)	(318)	(55)	(373)
Total comprehensive income (loss) for the year	—	—	29	222	38	(11)	—	(8,652)	(8,374)	264	(8,110)
Issue of equity instruments	26	—	—	—	—	—	—	7	33	—	33
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	(98)	1,848	1,750
Daphne 3 - distribution of additional paid-in capital	—	—	—	—	—	—	—	—	—	(42)	(42)
Other changes	—	—	—	—	—	—	—	(44)	(44)	(15)	(59)
Balance at December 31, 2021	11,614	2,133	49	(128)	(2,500)	(130)	—	6,376	17,414	4,625	22,039

Changes from January 1, 2022 to December 31, 2022 Note 15

(million euros)	Equity attributable to owners of the Parent								Total	Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year			
Balance at December 31, 2021	11,614	2,133	49	(128)	(2,500)	(130)	—	6,376	17,414	4,625	22,039
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	—	(86)	(86)
Total comprehensive income (loss) for the year	—	—	(107)	193	415	59	—	(2,925)	(2,365)	453	(1,912)
Equity instruments	—	—	—	—	—	—	—	6	6	—	6
Daphne 3 - deconsolidation	—	—	—	—	—	—	—	—	—	(1,332)	(1,332)
Other changes	—	—	—	—	—	—	—	6	6	4	10
Balance at December 31, 2022	11,614	2,133	(58)	65	(2,085)	(71)	—	3,463	15,061	3,664	18,725

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)

	Notes	Year 2022	Year 2021
Cash flows from operating activities:			
Profit (loss) from continuing operations		(2,654)	(8,400)
Adjustments for:			
Depreciation and amortization		4,777	4,490
Impairment losses (reversals) on non-current assets (including investments)		9	4,118
Net change in deferred tax assets and liabilities		2,645	3,894
Losses (gains) realized on disposals of non-current assets (including investments)		(242)	(120)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(23)	(38)
Change in employee benefits		156	(83)
Change in inventories		(35)	(39)
Change in trade receivables and other net receivables		(81)	257
Change in trade payables		484	337
Net change in income tax receivables/payables		(478)	(313)
Net change in miscellaneous receivables/payables and other assets/liabilities		337	233
Cash flows from (used in) operating activities	(a)	4,895	4,336
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(6,305)	(4,013)
Capital grants received		3	3
Acquisition of control of companies or other businesses, net of cash acquired		(1,316)	—
Acquisitions/disposals of other investments		(26)	(100)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		969	(1,183)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		1,278	172
Proceeds from sale/repayments of intangible, tangible and other non-current assets		62	4
Cash flows from (used in) investing activities	(b)	(5,335)	(5,117)
Cash flows from financing activities:			
Change in current financial liabilities and other		(436)	704
Proceeds from non-current financial liabilities (including current portion)		2,288	4,082
Repayments of non-current financial liabilities (including current portion)		(4,615)	(3,072)
Change in hedging and non-hedging derivatives		(36)	103
Share capital proceeds/reimbursements (including subsidiaries)		2	(42)
Dividends paid(*)		(68)	(368)
Changes in ownership interests in consolidated subsidiaries		(4)	1,757
Cash flows from (used in) financing activities	(c)	(2,869)	3,164
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	—	—
Aggregate cash flows	(e=a+b+c+d)	(3,309)	2,383
Net cash and cash equivalents at beginning of the year	(f)	6,904	4,508
Net foreign exchange differences on net cash and cash equivalents	(g)	(40)	13
Net cash and cash equivalents at end of the year	(h=e+f+g)	3,555	6,904
(*) of which from related parties		—	51

Purchase of intangible, tangible and rights of use assets

(million euros)	Notes	Year 2022	Year 2021
Purchase of intangible assets	6)	(1,128)	(1,886)
Purchase of tangible assets	7)	(2,828)	(2,665)
Purchase of rights of use assets	8)	(953)	(746)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(4,909)	(5,297)
Change in payables arising from purchase of intangible, tangible and rights of use assets		(1,396)	1,284
Total purchases of intangible, tangible and rights of use assets on a cash basis		(6,305)	(4,013)
(*) of which from related parties		71	23

Additional Cash Flow information

(million euros)	Year 2022	Year 2021
Income taxes (paid) received	164	(242)
Interest expense paid	(1,668)	(1,440)
Interest income received	562	437
Dividends received	155	90

Analysis of Net Cash and Cash Equivalents

(million euros)	Year 2022	Year 2021
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	6,904	4,829
Bank overdrafts repayable on demand - from continuing operations	—	(321)
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	—	—
	6,904	4,508
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	3,555	6,904
Bank overdrafts repayable on demand - from continuing operations	—	—
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	—	—
	3,555	6,904

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these consolidated financial statements.

NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the “**TIM Group**” (the “**Group**”).

TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company's bylaws, extends until December 31, 2100.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group's Consolidated Financial Statements at December 31, 2022, have been prepared on a going concern basis (further details are provided in the Note “Accounting Policies”) and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “**IFRS**”), as well as laws and regulations in force in Italy.

In 2022, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2022. See the Note “Accounting policies” for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect fair value changes for hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2022 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2022 of the TIM Group was approved by resolution of the Board of Directors on March 15, 2023.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the “current and non-current” criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group's industrial sector. In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors), as a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level).

EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) 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	

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;

- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of property, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory sanctions and related liabilities; other provisions for risks and charges and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on the goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.

Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources (for the TIM Group, the Board of Directors of the Parent) to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

The TIM Group operating segments are in line with and continuing on from the information given in the Consolidated Annual Financial Report at December 31, 2021, are represented for the part relating to the telecommunications business, on the basis of the related geographic location (Domestic and Brazil).

The TIM Group 2022-2024 Industrial Plan launched a Group transformation aiming to overcome the vertically integrated model, based on four separate entities with different industrial and economic focuses (NetCo, TIM Consumer, TIM Enterprise and TIM Brasil). These entities cannot today be considered an "operating segment" in accordance with IFRS 8 - Operating segments, insofar as on the one hand, the new entities are still in an analytical design phase and do not, therefore, have analytical economic-financial information available and, on the other, in 2022, the TIM Board of Directors is making decisions on the allocation of resources and assessing the economic-financial performance on both the basis of the historic representation of the Business Units and, insofar as available, the new entities being created.

The term "operating segment" is considered synonymous with "Business Unit".

The operating segments of the TIM Group are as follows:

- **Domestic:** includes the activities in Italy relating to voice and data services on fixed and mobile networks for end users (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the provision of passive access services on the secondary copper and fiber network, and the activities of Noovle S.p.A. (Cloud and Edge Computing solutions), the activities of Olivetti (products and services for Information Technology), and, Domestic sector support structures. See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A. group);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

NOTE 2

ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2022 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months). In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
 - variations in business conditions, also related to competition;
 - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
 - changes in the general macroeconomic situation in the Italian, European and Brazilian markets, as well as the volatility of the financial markets deriving from the risks of recession and inflation linked to both the continuation of COVID-19 and its possible variants and the increase in the cost of commodities and energy, also following the Russian-Ukraine conflict;
 - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices) and the outcome of the legal and regulatory authority proceedings.
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized is disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the owners of the parent and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any profit from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their related interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
 - the assets (including any goodwill) and the liabilities;
 - the carrying amount of any non-controlling interest;
- recognizes:
 - the fair value of any consideration received;
 - the fair value of any residual investment retained in the former subsidiary;
 - any profit or loss resulting from the transaction, in the separate consolidated income statement;
 - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

- a) the aggregate of:
- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
 - the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
 - in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;
- b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the related amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

It is specified that starting January 1, 2021, the TIM Group has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the new contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (*Impairment of Assets*); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, this was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- **Hold to Collect:** receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category “Assets measured at amortized cost”. These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- **Hold to Collect and Sell:** receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under the IFRS 9 category “Financial assets measured at fair value through other comprehensive income”. As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- **Hold to Collect:** financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- **Hold to Collect and Sell:** monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- **Hold to Sell:** monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as “financial assets measured at fair value through consolidated profit or loss” (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) as non-current or current assets.

The other investments classified as "financial assets measured at fair value through other comprehensive income" are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value through profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group's portfolio for a period of not more than 12 months, and are classified:

- as "financial assets measured at amortized cost" (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated "Reserve for financial assets measured at fair value through other comprehensive income" is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as "financial assets measured at fair value through consolidated profit or loss" (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;
- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivatives

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the profit or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for hedging instruments). The cumulative profit or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The profit or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in the value of liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39: the profits and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the profit or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or
- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contra-entry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity as calculated is considered a "Defined benefit plan" and the related liability recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to maturity. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year said liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

When the effect of the time value is material and the payment date of the obligations can be reasonably estimated, the provision is determined by discounting the given expected cash flows by taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations:** the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price:** this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations:** the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).

For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;

- **recognition of revenues:** revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:

- **Revenues from services rendered**

Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.

Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.

Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.

Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days

after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.

The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.

Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income tax expense is calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income tax expense is recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related notes in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	Accounting estimates
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset - whether tangible or intangible with finite useful lives or a right of use - has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.

Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The provisions related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparties. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2022

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2022.

Collection of changes of limited scope to the IFRSs

On June 28, 2021, Commission Regulation (EU) 2021/1080 was issued, implementing various amendments of limited scope to the IFRSs. The collection includes changes to three IFRSs as well as annual improvements to the IFRSs that regard minor, non-urgent changes (but which are necessary). These changes must be applied for all years starting after January 1, 2022. The following amendments have been issued:

- **IAS 16: "Property, plant and equipment" - Proceeds before intended use**

The amendment prohibits a company from deducting from the cost of Property, plant and equipment amounts received from selling items produced while the company is preparing the asset for the intended use (e.g. proceeds from the sale of samples produced when testing a machine to see if it is functioning properly).

The proceeds from the sale of any such samples, together with the costs for their production, must be noted on the income statement.

- **IAS 37: "Onerous contracts - Costs of fulfilling a contract"**

The amendment clarifies the meaning of "costs of fulfilling a contract". The amendment clarifies that the direct costs for the execution of a contract include:

- a. incremental costs for fulfilling the contract (e.g. labor and direct materials); and
- b. an allocation of other costs directly related to the fulfillment of contracts (e.g. allocation of the depreciation share for an item of Property, plant and equipment used to fulfill a contract).

The change may entail the recording of more onerous provision as previously some entities only included the incremental costs in the costs for fulfilling a contract.

- **IFRS 3: "Reference to the conceptual framework"**

The Board has updated IFRS 3 "Business combinations" to refer to the 2018 conceptual framework for financial reporting, in order to determine what exactly is an asset or a liability in a business combination. Before the amendment, IFRS 3 referred to the 2001 conceptual framework for the financial disclosure.

These changes do not alter the accounting procedure envisaged for business combinations.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2022.

Annual improvements to the IFRSs (2018–2020 cycle)

- **Amendment to IFRS 9 - Fees included in the 10 per cent test for derecognition of financial liabilities**

This change establishes the commission to be included in the 10 per cent test for derecognition of financial liabilities (in the event of a change or exchange of a financial liability, IFRS 9 Financial Instruments specifies a quantitative "10 per cent" test. This test assesses if the new contractual conditions between the borrower and creditor are substantively different from the original contractual conditions in determining whether or not the original financial liability should be derecognized.

Costs or commissions may be paid to third parties or to the creditor. In accordance with the change, the costs or commissions paid to third parties will not be included in the 10 per cent test.

- **Amendment to the illustrative examples accompanying IFRS 16 "Leases"**

The Board has amended Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of the reimbursement of leasehold improvements by the lessor. The reason for the amendment is to remove any potential confusion regarding how lease incentives should be processed.

- **Amendment to IFRS 1 "First-time adoption of the International Financial Reporting Standards"**

The amendment simplifies the adoption of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent. IFRS 1 grants an exemption if a subsidiary adopts the IFRSs later than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in the consolidated financial statements of the parent, on the basis of the date of transfer of the parent company to the IFRSs, if no adjustments are made for the consolidation procedures and as a result of the corporate aggregation in which the parent acquired the subsidiary.

The Board has amended IFRS 1 to allow entities that adopted this exemption from IFRS 1 to also measure the cumulative conversion differences using the amounts reported by the parent, on the basis of the transition date of the parent company to the IFRSs. The change to IFRS 1 extends this exemption to the cumulative conversion differences in order to reduce the costs for first-time adopters. This change will also apply to associates and joint ventures that have obtained the same exemption from IFRS 1.

All these changes are in force starting January 1, 2022 with early application permitted.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2022.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force and have not yet been endorsed by the EU:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024
Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants	1/1/2024
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1/1/2023
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	1/1/2023
Amendments to IAS 1 - Presentation of Financial Statements	1/1/2023
Amendments to IFRS 17 - Insurance contracts: initial application of IFRS 17 and IFRS 19 - Comparative information	1/1/2023

The potential impacts on the Group consolidated financial statements from the application of these standards and interpretations are currently being assessed.

NOTE 3 SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation. A complete list of consolidated subsidiaries is provided in the Note "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2022 compared to December 31, 2021 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A.	New acquisition	Brazil	April 2022
MINDICITY S.r.l. Società Benefit	New acquisition	Domestic	May 2022
MOVENDA S.p.A.	Increase in share held	Domestic	July 2022
Exit:			
DAPHNE 3 S.p.A.	Dilution	Domestic	August 2022
Mergers:			
MOVENDA S.p.A.	Merged into TIM S.p.A.	Domestic	December 2022

The breakdown by number of subsidiaries, associates and joint ventures of the TIM Group is as follows:

Companies:	12/31/2022		Total
	Italy	Outside Italy	
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	34	47	81

Companies:	12/31/2021		Total
	Italy	Outside Italy	
subsidiaries consolidated line-by-line	20	45	65
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	34	46	80

Further details are provided in the Note "List of companies of the TIM Group".

Subsidiaries with a significant non-controlling interest

At December 31, 2022, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A. and the TIM Brazil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2022 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12/31/2022	12/31/2021
Non-current assets	9,187	8,441
Current assets	515	471
Total Assets	9,702	8,912
Non-current liabilities	3,376	3,293
Current liabilities	800	551
Total Liabilities	4,176	3,844
Equity	5,526	5,068
<i>of which Non-Controlling Interests</i>	<i>2,321</i>	<i>2,129</i>

FiberCop S.p.A. - income data

(million euros)	2022	2021
Revenues	1,344	978
Profit (loss) for the year	458	321
<i>of which Non-Controlling Interests</i>	<i>192</i>	<i>135</i>

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2022 amounted to -37 million euros (in 2021: +75 million euros).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2022 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12/31/2022	12/31/2021
Non-current assets	8,649	5,787
Current assets	1,925	2,476
Total Assets	10,574	8,263
Non-current liabilities	3,157	2,159
Current liabilities	2,420	1,751
Total Liabilities	5,577	3,910
Equity	4,997	4,353
<i>of which Non-Controlling Interests</i>	<i>1,545</i>	<i>1,345</i>

Income statement data TIM Brasil group

(million euros)	2022	2021
Revenues	3,963	2,840
Profit (loss) for the year	289	455
<i>of which Non-Controlling Interests</i>	<i>102</i>	<i>155</i>

Financial data of the TIM Brasil group

Aggregate cash flows generated in 2022 amounted to -369 million euros, with a negative exchange rate effect of 45 million euros.

In 2021, this was positive for 416 million euros, with a positive exchange rate difference of 6 million euros.



Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - “Main risks and uncertainties” section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks related to disputes and litigation);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4 BUSINESS COMBINATIONS

Acquisition of the mobile telephone assets of Oi Móvel S.A.

On April 20, 2022, TIM S.A. (Brazilian subsidiary of the TIM Group), Telefônica Brasil S.A. and Claro S.A., after having fulfilled the conditions established by the Conselho Administrativo de Defesa Econômica (CADE) and the Agência Nacional de Telecomunicações (ANATEL), concluded the acquisition of the mobile telephone assets of Oi Móvel S.A. - Em Recuperação Judicial.

With the conclusion of the transaction, TIM S.A. now holds 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., a company that corresponds to part of the assets, rights and obligations of Oi Móvel acquired by the company.

The business combination was recognized in the accounts as follows:

- a consideration of 1,373 million euros;
- all Assets acquired and Liabilities undertaken of the acquired companies were measured for recognition at fair value;

- in addition to the value of the Assets acquired and Liabilities undertaken, Goodwill equal to 502 million euros was recognized, determined as shown in the next table:

		Values at fair value (million euros) (*)	Values at fair value (million Brazilian reais)
Valuation of the consideration	(a)	1,373	7,212
Value of assets acquired	(b)	1,629	8,559
Value of liabilities undertaken	(c)	(758)	(3,983)
Goodwill	(a-b-c)	502	2,636

(*) real/euro exchange rate 5.25403

Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. – values at the acquisition date

		Present values at fair value (million euros)(*)	Carrying amounts	Present values at fair value (million Brazilian reais)	Carrying amounts
Goodwill		502	—	2,636	—
Other non-current assets		1,489	862	7,825	4,532
Current assets		140	140	734	734
of which Cash and cash equivalents		37	37	193	193
Total assets	(a)	2,131	1,002	11,195	5,266
Total non-current liabilities		549	549	2,886	2,886
Of which Non-current financial liabilities		459	459	2,413	2,413
Total current liabilities		209	209	1,097	1,097
Of which Current financial liabilities		98	98	517	517
Total liabilities	(b)	758	758	3,983	3,983
Net assets	(a-b)	1,373	244	7,212	1,283

(*) real/euro exchange rate 5.25403

It should be noted that in September 2022, TIM S.A. and the other buyers of the Oi Móvel S.A. mobile telephone assets had identified differences in the assumptions and calculation criteria that, under the terms of the Share Purchase Agreement and Other Covenants (“SPA”), justify a proposal to change the Adjusted Closing Price (“ACP”) by TIM S.A. of approximately 1.4 billion reais. In addition to differences relating to the Adjusted Closing Price, others have also been identified relating to the contracts of Cozani with companies supplying mobile infrastructure services (site/tower rental), which, under the terms of the “SPA”, give rise to indemnity by the Seller in TIM S.A.’s favor, of approximately 231 million reais. As a result of the differences found, TIM S.A. retained an amount of 634 million reais (671 million reais at December 31, 2022).

In October 2022, considering the Seller’s express violation of the dispute resolution mechanisms provided for in the SPA, TIM S.A. communicated that the Buyers had no other alternative but to file an arbitration procedure with the Market Arbitration Chamber (Câmara de Arbitragem do Mercado) of B3 S.A. - Brasil, Bolsa, Balcão against the Seller to determine the effective amount of the adjustment to the Adjusted Closing Price, in accordance with the SPA.

Additionally, in October 2022, the 7th Business Court of the Judicial District of Rio de Janeiro handed down a preliminary decision, determining the deposit in court by the Buyers of approximately 1.53 billion reais – of which approximately 670 million reais by TIM S.A. – in an account linked to the court-ordered reorganization process of Oi, where it will be safeguarded until a later decision by the arbitration court.

Further details are provided in the Note “Disputes and Pending Legal Actions, other information, commitments and guarantees”.



It should also be noted that:

- if the acquisition of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. had been completed on January 1, 2022, the consolidated financial statements of the TIM Group as at December 31, 2022 would have recorded revenues approximately 120 million euros higher, with an impact of approximately -170 million euros on the net result for the period attributable to the Owners of the Parent Company;
- on February 27, 2023, the TIM S.A. Board of Directors approved the terms and conditions of the merger, by the company, of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A..

NOTE 5

GOODWILL

Goodwill shows the following breakdown and changes for 2021 and 2022:

(million euros)	12/31/2020	Increase	Decrease	Impairments	Exchange differences	12/31/2021
Domestic	22,242	2		(4,120)		18,124
Brazil	605		(165)		4	444
Other Operations	—					—
Total	22,847	2	(165)	(4,120)	4	18,568

(million euros)	12/31/2021	Increase	Decrease	Impairments	Exchange differences	12/31/2022
Domestic	18,124	10				18,134
Brazil	444	502			31	977
Other Operations	—					—
Total	18,568	512	—	—	31	19,111

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on at least an annual basis, when preparing the company's consolidated financial statements.

In 2022, Goodwill increased by 543 million euros, from 18,568 million euros at the end of 2021 to 19,111 million euros at December 31, 2022.

With reference to the Brazil Cash Generating Unit (Brazil CGU), Goodwill recorded:

- an increase of 502 million euros (2,636 million reais) relating to the recognition of goodwill connected with the acquisition of some of the mobile telephone assets of Oi Móvel S.A. For more details, see the note "Business combinations";
- net exchange gains for 31 million euros. In particular, the exchange rate used to convert Brazilian reais into euros (expressed in terms of local currency units per 1 euro) went from 6.32047 as of December 31, 2021 to 5.56520 as of December 31, 2022.

The Goodwill of the Domestic Cash Generating Unit (Domestic CGU) increased by a total of 10 million euros in connection with the acquisition of control over the companies Staer Sistemi S.r.l., Mindicity S.r.l. and Movenda S.p.A.

The gross carrying amounts of Goodwill and the related accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs) to December 31, 2022 and 2021 can be summarized as follows:

(million euros)	12/31/2022			12/31/2021		
	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Domestic	38,699	(20,565)	18,134	38,689	(20,565)	18,124
Brazil	1,143	(166)	977	591	(147)	444
Other Operations	—	—	—	—	—	—
Total	39,842	(20,731)	19,111	39,280	(20,712)	18,568

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the carrying amount of goodwill for the CGU corresponds to 5,439 million reais at December 31, 2022 (2,803 million reais at December 31, 2021). The increase of 2,636 million reais relates to the specified posting of goodwill connected with the acquisition of part of the Oi Móvel S.A. mobile assets.

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, considering the Group's activities as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the “recoverable value” of the CGUs was equal to the higher of “fair value net of disposal costs” and “value in use”.

At December 31, 2022, the value configuration used to determine the recoverable amount of the Domestic CGU - continuing on with the configuration used for the financial statements closed at December 31, 2021 - was the Fair Value estimated on the basis of the income approach, insofar as this is considered able to best maximize the value of the Group’s activities (the “market participant perspective”), also reflecting interventions on costs in view of a potential future new, different business structure.

For the Brazil CGU, the value configuration used is the fair value on the basis of market capitalization at the end of the period.

The values are expressed in local currency, and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For the Brazil CGU, the recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

For the Domestic CGU, the estimate of fair value on the basis of the income approach was made in compliance with IAS 36, with valuation principles and best practices, with reference to the flows of the 2023-2025 Industrial Plan, which is based on the final results of 2022: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at 12/31/2022. The expected cash flows reported in the 2023-2025 Industrial Plan approved by the Board of Directors have been critically analyzed and, with the support of expert appraisers and industry experts, the average representativity has been assessed. Expected average cash flows for the 2023-2025 Industrial Plan were extrapolated for an additional two years, thus bringing the explicit forecast period for future cash flows to a total of five years (2023-2027). The extrapolation of data for 2026-2027 was necessary, in line with that carried out by the main European incumbents, in order to intercept market, competition and industrial trends that will become manifest beyond the forecast horizon of the Industrial Plan. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

The estimation of the fair value according to the income approach requires the determination of the current value of income beyond the explicit forecast period (“terminal value”). To this end, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2027, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

The cost of capital used to discount the future cash flows in the estimates of fair value for the Domestic CGU:

- was estimated using the Capital Asset Pricing Model (CAPM), which is one of the generally accepted application criteria referred to in IAS 36;
- reflects current market estimates of the time value of money and the specific risks associated with the asset groups; includes appropriate yield premiums for country risk;
- was calculated using comparative market parameters to estimate the “Beta coefficient” and the weighting coefficient of the equity and debt capital components;

For the Domestic CGU it was as follows:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- details are also provided of the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic
WACC	6.20%
WACC before tax	7.89%
Growth rate beyond the explicit period (g)	1.09%
Capitalization rate after tax (WACC-g)	5.11%
Capitalization rate before tax (WACC-g)	6.80%
Capex/Revenues, perpetual	15.50%

The growth rate in the terminal value “g” of the Domestic CGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiaries Noovle and FiberCop. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The recoverable amount of the Domestic cash generating unit, determined on the basis of the Fair Value estimated on the basis of the income approach, highlighted headroom of 1,187 million euros.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	+1,187	+217

Therefore, in light of all the foregoing, in FY 2022, the Goodwill values recognized in the financial statements relating to the Domestic CGU (positive difference of +1,187 million euros) and the Brazil CGU (positive difference of +217 million euros) are confirmed.

In relation to the Domestic CGU, a structural deterioration of the relevant parameters and, notably, the WACC, may call for the application of impairment. In detail, in accordance with IAS 36, the sensitivity analysis has been performed aiming to identify the change in key variables (WACC, margins as seen by the ratio of gross operating margin and revenues, growth rate of income in terminal value), which makes the recoverable amount equal to the carrying amount. This analysis shows that:

- an increase in costs such as to lower the margins (= gross operating margin/revenues) of 0.67%; or
- a 0.15% rise in the WACC (at the value of 6.35%); or
- a growth rate of income in terminal value of 0.92%;

would align the recoverable amount with the carrying amount.

With regard to the Brazilian CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -4.07%.

The second level impairment test revealed a recoverable amount that exceeded the book value of the Group's business as a whole, thereby not showing any need for impairment.

NOTE 6

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

This item increased by 509 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Industrial patents and intellectual property rights	1,789	731	(1,043)			4	452	1,933
Concessions, licenses, trademarks and similar rights	3,645	191	(466)			6		3,376
Other intangible assets	4	1	(2)					3
Work in progress and advance payments	1,302	963			(3)	3	(430)	1,835
Total	6,740	1,886	(1,511)	—	(3)	13	22	7,147

(million euros)	12/31/2021	Investments	Amortization	Impairment (losses)/reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12/31/2022
Industrial patents and intellectual property rights	1,933	731	(1,069)		(1)	53		338	1,985
Concessions, licenses, trademarks and similar rights	3,376	85	(442)		(1)	70		1,555	4,643
Other intangible assets	3	2	(6)			(2)		48	45
Work in progress and advance payments	1,835	310				54	48	(1,264)	983
Total	7,147	1,128	(1,517)	—	(2)	175	48	677	7,656

Investments in 2022 amounted to 1,128 million euros (1,886 million euros in 2021) and included 244 million euros in internally generated assets (216 million euros in 2021). Further details are provided in the Note "Internally generated assets".

Industrial patents and intellectual property rights at December 31, 2022, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years and relating mainly to TIM S.p.A. (1,301 million euros), the Brazil Business Unit (438 million euros) and Noovle S.p.A. (142 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2022 mainly refer to the residual cost of telephone licenses and similar rights (3,316 million euros for TIM S.p.A. and 1,268 million euros for the Brazil Business Unit). Compared with December 31, 2021, the item increased by 1,267 million euros, mainly due to:

- entry into the consolidation scope of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. (633 million euros);
- entry into force of the rights to use the 2100 MHz bandwidth of TIM S.p.A., which in 2021 was extended until December 31, 2029 (240 million euros);
- entry into force of the 5G user rights to the 694-790 MHz bandwidths of TIM S.p.A. (680 million euros);
- acquisition by TIM S.p.A. of the licenses for the 34-36 MHz OpNet bandwidth, acquired with an agreement with the OpNet (former Linkem) operator covering the reciprocal transfer of frequencies and enabled TIM S.p.A. to use an additional 20MHz nationally, reaching the maximum availability of 100MHz permitted in the frequency bandwidth 3.4-3.8 GHz usable by TIM, as 5G frequencies.

The residual amount of telephone licenses and similar rights in operation at December 31, 2022 (4,584 million euros) and their useful lives are detailed below:

Type	Residual value at 12/31/2022 (million euros)	Useful life (years)	Maturity	Amortization expense for the year 2022 (million euros)
TIM S.p.A.:				
UMTS 2100 MHz (extension)	210	8	12/31/2029	30
WiMax (extension)	5	7	12/31/2029	1
34-36 MHz band Linkem	61	7	12/31/2029	4
LTE 1800 MHz	60	18	12/31/2029	9
LTE 800 MHz	420	17	12/31/2029	60
LTE 2600 MHz	46	17	12/31/2029	7
1452-1492 MHz band	116	14	12/31/2029	16
900 and 1800 MHz band	383	11	12/31/2029	55
3600-3800 MHz band (5G)	1,331	19	12/31/2037	89
26.5-27.5 GHz band (5G)	26	19	12/31/2037	2
694-790 MHz band (5G)	658	15 years and 6 months	12/31/2037	22
TIM Brasil group:				
GSM and 3G (UMTS) - TIM S.A.	21	15	From 2023 to 2031	24
4G (LTE - 700 MHz) - TIM S.A.	496	15	2029	74
5G (2.3 GHz and 26 GHz) - TIM S.A.	200	20	2041	14
900 - 1800 -1900 - 2100 - 2500 MHz - Cozani	551	15-18	From 2027 to 2038	28

Work in progress and advance payments mainly relate to:

- the Brazil Business Unit (530 million euros) connected with the rights to use 3.5 GHz frequencies (5G). For the latter, as the time period required for the assets to be ready for use is more than 12 months, in 2022 the related finance expenses of 48 million euros were capitalized. The capitalized finance expenses have been deducted directly from "finance expense";
- the Domestic Business Unit (453 million euros), essentially related to software developments and investments for the digital evolution of Network Infrastructures.

The item also includes work in progress mainly related to software developments and investments for the digital evolution of Network Infrastructures.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	11,605	—	(9,672)	1,933
Concessions, licenses, trademarks and similar rights	8,304	—	(4,928)	3,376
Other intangible assets	464	—	(461)	3
Work in progress and advance payments	1,835	—	—	1,835
Total intangible assets with a finite useful life	22,208	—	(15,061)	7,147

(million euros)	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	12,847	—	(10,862)	1,985
Concessions, licenses, trademarks and similar rights	7,784	—	(3,141)	4,643
Other intangible assets	563	—	(518)	45
Work in progress and advance payments	983	—	—	983
Total intangible assets with a finite useful life	22,177	—	(14,521)	7,656

With reference to the gross values, in 2022 the parent company TIM S.p.A. made disposals of 3,125 million euros in connection with licenses (UMTS licenses for 2,506 million euros and GSM licenses for 117 million euros expired and sale of WiMax licenses to OpNet for 6 million euros) and rights to use intellectual works, almost entirely amortized, including BSS and OSS software application developments for 471 million euros, television rights expired for 16 million euros and the Sandvine platform for 6 million euros.

NOTE 7

TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 789 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Depreciation	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Land	229	2					1	232
Buildings (civil and industrial)	577	23	(35)				32	597
Plant and equipment	11,206	1,885	(2,095)		(30)	21	267	11,254
Manufacturing and distribution equipment	22	4	(9)				2	19
Other	309	121	(145)			1	81	367
Construction in progress and advance payments	798	630				2	(588)	842
Total	13,141	2,665	(2,284)	—	(30)	24	(205)	13,311

(million euros)	12/31/2021	Investments	Depreciation	Impairment (losses) / Reversals	Disposals	Exchange differences	Other changes	12/31/2022
Land	232				(1)	1		232
Buildings (civil and industrial)	597	34	(37)			1	56	651
Plant and equipment	11,254	2,198	(2,145)		(28)	202	521	12,002
Manufacturing and distribution equipment	19	7	(8)				2	20
Other	367	105	(158)		(1)	13	36	362
Construction in progress and advance payments	842	484			(3)	11	(501)	833
Total	13,311	2,828	(2,348)	—	(33)	228	114	14,100

Land comprises both built-up land and available land and is not subject to depreciation. The figure at December 31, 2022 refers primarily to TIM S.p.A. (187 million euros) and Noovle (33 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2022 is mainly attributable to TIM S.p.A. (425 million euros) and Noovle S.p.A. (199 million euros).

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The figure at December 31, 2022 is mainly attributable to TIM S.p.A. (5,552 million euros), to FiberCop S.p.A. (4,114 million euros) and to the Brazil Business Unit (1,927 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A..

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Construction in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

2022 investments include 315 million euros of internally generated assets (259 million euros in 2021); further details are provided in the Note "Internally generated assets".

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2022 and 2021 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 6.66%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	15% - 20%
Other	10% - 50%

Other changes include 112 million euros related to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022. For further details, see the note "Business combinations".

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)

	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	1,960	—	(1,363)	597
Plant and equipment	70,535	(12)	(59,269)	11,254
Manufacturing and distribution equipment	330	(1)	(310)	19
Other	3,305	(2)	(2,936)	367
Construction in progress and advance payments	844	(2)		842
Total	77,209	(20)	(63,878)	13,311

(million euros)

	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	2,051	—	(1,400)	651
Plant and equipment	73,824	(12)	(61,810)	12,002
Manufacturing and distribution equipment	338	(1)	(317)	20
Other	3,725	(2)	(3,361)	362
Construction in progress and advance payments	834	(1)		833
Total	81,007	(19)	(66,888)	14,100

With regard to the gross amounts, in 2022 the parent company TIM S.p.A. made disposals for a total value of 1,294 million euros, mainly in relation to fully depreciated assets, including: UMTS transmission plants and network transmission devices (1,081 million euros), infrastructures and GSM base transceiver stations (63 million euros), switching systems (52 million euros), rented terminals (32 million euros), access network (29 million euros), power supply and conditioning systems (13 million euros), underground fiber optic (9 million euros), aerials and cable laying (7 million euros), civil buildings (2 million euros).

NOTE 8

RIGHTS OF USE ASSETS

This item increased by 641 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2021
Property	2,911	35	298	(343)	(14)	4	(43)	2,848
Plant and equipment	1,909	25	328	(314)	(5)	11	(107)	1,847
Other tangible assets	121		35	(37)	(2)		2	119
Construction in progress and advance payments	51	19	2				(42)	30
Intangible assets			4	(1)				3
Total	4,992	79	667	(695)	(21)	15	(190)	4,847

(million euros)	12/31/2021	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2022
Property	2,848	35	347	(398)	(4)	35	104	2,967
Plant and equipment	1,847	53	462	(474)	(2)	108	376	2,370
Other tangible assets	119		23	(38)	(3)		1	102
Construction in progress and advance payments	30	25					(20)	35
Intangible assets	3	8		(2)			5	14
Total	4,847	121	832	(912)	(9)	143	466	5,488

2022 capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2022, equal to 832 million euros, refer to the Brazil Business Unit (484 million euros) and the Domestic Business Unit (348 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. (558 million euros) and also include the start-up and changes connected with the lesser value of the rights of use recorded as a result of contractual changes during the period.

Property includes buildings and land under passive leases and the related building adaptations, attributable to the Domestic Business Unit (2,422 million euros) and the Brazil Business Unit (545 million euros).

Plant and equipment mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (1,436 million euros), the Parent Company TIM S.p.A. (637 million euros), the Telecom Italia Sparkle group (156 million euros) and FiberCop S.p.A. (140 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

Other tangible assets mainly comprises the leases on motor vehicles. In addition, the right of use for the lease of the business unit relating to all the assets organized for the full performance of the "construction", "delivery" and "assurance" activities for telecommunications networks and equipment, deriving from the contract entered into between TIM Servizi Digitali S.p.A. and Sittel S.p.A., is recorded herein (15 million euros). The corresponding finance lease liability for the obligation to comply with the contractual payments is recorded against the right of use.

Intangible assets mainly includes Telecom Italia Sparkle rights of use of transmission frequencies on optic fiber carriers not illuminated by the undersea cable Monet and the recording as a lease of a Software as a Service (SaaS) contract, in respect of which the Parent Company TIM S.p.A. has acquired the right to make exclusive use of software licenses residing on partitions of third party hardware platforms dedicated exclusively to the Company.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,327	(13)	(2,466)	2,848
Plant and equipment	3,304	(277)	(1,180)	1,847
Other	291		(172)	119
Construction in progress and advance payments	30			30
Intangible assets	4	—	(1)	3
Total	8,956	(290)	(3,819)	4,847

(million euros)	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,811	(13)	(2,831)	2,967
Plant and equipment	4,340	(278)	(1,692)	2,370
Other	272		(170)	102
Construction in progress and advance payments	35			35
Intangible assets	17	—	(3)	14
Total	10,475	(291)	(4,696)	5,488

Impairment losses on “Plant and equipment”, mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to the gross values, in 2022 the Parent Company TIM S.p.A. carried out disposals for a total value of 85 million euros, essentially relating to leased properties (34 million euros), leased vehicles (25 million euros), base transceiver stations (16 million euros) and leasehold improvements (9 million euros).

NOTE 9 INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

Investments in associates and joint ventures accounted for using the equity method are reported below in detail:

(million euros)		12/31/2022	12/31/2021
I-Systems S.A.		277	253
Daphne 3 S.p.A.		212	—
Italtel S.p.A.		9	—
NordCom S.p.A.		6	6
W.A.Y. S.r.l.		4	4
QTI S.r.l.		3	2
Satsipay S.p.A.		—	20
Other		2	3
Total Associates	(a)	513	288
INWIT S.p.A.		—	2,669
TIMFin S.p.A.		21	22
Polo Strategico Nazionale S.p.A.		5	
Total Joint Ventures	(b)	26	2,691
Total investments accounted for using the equity method	(a+b)	539	2,979

The changes in this item are broken down as follows:

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2021
I-Systems S.A.				(2)	255	253
Satsipay S.p.A.		20				20
NordCom S.p.A.	5			1		6
W.A.Y. S.r.l.	4					4
QTI S.r.l.		2				2
Tiglio I S.r.l.	1		(1)			—
Other	3	1			(1)	3
Total Associates	13	23	(1)	(1)	254	288
INWIT S.p.A.	2,713			(44)		2,669
TIMFin S.p.A.	2	24		(4)		22
Total Joint Ventures	2,715	24	—	(48)	—	2,691
Total investments accounted for using the equity method	2,728	47	(1)	(49)	254	2,979

(million euros)	12/31/2021	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2022
I-Systems S.A.	253			(11)	35	277
Daphne 3 S.p.A.				(57)	269	212
Italtel S.p.A.		10		(1)		9
NordCom S.p.A.	6					6
W.A.Y. S.r.l.	4					4
QTI S.r.l.	2	1				3
Satsipay S.p.A.	20		(20)			—
Other	3	—			(1)	2
Total Associates	288	11	(20)	(69)	303	513
INWIT S.p.A.	2,669			(59)	(2,610)	—
TIMFin S.p.A.	22			(1)		21
Polo Strategico Nazionale S.p.A.		5				5
Total Joint Ventures	2,691	5	—	(60)	(2,610)	26
Total investments accounted for using the equity method	2,979	16	(20)	(129)	(2,307)	539

Investments for 2022 include mainly:

- 10 million euros for the subscription, in April 2022, of a part of the capital increase of Italtel S.p.A., consequent to the reorganization process and company composition procedure approved by the Court of Milan in December 2021. At December 31, 2022, TIM Group's investment held in Italtel S.p.A. was 17.72% of the share capital.

Italtel S.p.A. is also subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures);

- 5 million euros for the assigned share (45%) under the scope of the establishment and subsequent recapitalization of Polo Strategico Nazionale S.p.A. The company deals with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for the public administration.

“Valuation using the equity method” for 2022 mainly includes:

- for the equity investment in INWIT S.p.A., the portion, pertaining to the positive economic result of INWIT, including the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (35 million euros) has been allocated and the reduction in the carrying amount of the equity investment for dividends received in the year (94 million euros);
- for the equity investment in Daphne 3 S.p.A., the reduction in the carrying amount of the equity investment for dividends received in the year (57 million euros).

Other changes for 2022 mainly include:

- the deconsolidation of the investment in INWIT - Infrastrutture Wireless Italiane consequent to the August 2022 sale of 41% of the share capital of the holding company Daphne 3 S.p.A and the consequent loss of control in the company. In turn, Daphne 3 S.p.A. holds a 30.2% share in INWIT;

- the entry of the residual equity investment in Daphne 3 S.p.A.(10% of the share capital). Daphne 3 S.p.A. is subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures);
- the exchange differences connected with the investment in the related Brazilian company I-Systems S.A.

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Other investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2021
Fin.Priv. S.r.l.	16			6		22
Northgate Telecom Innovations Partners L.P.	25	1		(9)		17
UV T-Growth		12				12
SECO S.p.A.		38		54		92
Other	13					13
Total	54	51	—	51	—	156

(million euros)	12/31/2021	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2022
Fin.Priv. S.r.l.	22			(2)		20
Northgate Telecom Innovations Partners L.P.	17	3		(4)		16
UV T-Growth	12	8	(7)	(2)		11
SECO S.p.A.	92			(36)		56
Other	13					13
Total	156	11	(7)	(44)	—	116

More specifically, note that at December 31, 2022, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 4.6 million USD, equal to approximately 4.3 million euros at the exchange rate as at December 31, 2022;
- of the UV T-Growth fund in the amount of 47.4 million euros.

As permitted by IFRS 9, TIM now measures Other Investments at "fair value through other comprehensive income (FVTOCI)".

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL ASSETS

Non-current and current financial assets were broken down as follows:

(million euros)	12/31/2022	12/31/2021
Other non-current financial assets		
Securities other than investments	—	—
Receivables from employees	39	39
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1,435	1,935
Non-hedging derivatives	119	100
Other financial receivables	9	211
	1,602	2,285
Financial receivables for lease contracts	49	45
Total non-current financial assets (a)	1,651	2,330
Securities other than investments, other financial receivables and other current financial assets		
Securities other than investments		
Measured at amortized cost (AC)	—	—
Measured at fair value through other comprehensive income (FVTOCI)	1,040	1,515
Measured at fair value through profit or loss (FVTPL)	406	734
	1,446	2,249
Financial receivables and other current financial assets		
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)	—	—
Receivables from employees	21	12
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	84	80
Non-hedging derivatives	47	41
Other short-term financial receivables	2	9
	154	142
	(b) 1,600	2,391
Financial receivables for lease contracts (c)	69	56
Cash and cash equivalents (d)	3,555	6,904
Total current financial assets e=(b+c+d)	5,224	9,351
Financial assets relating to Discontinued operations/Non-current assets held for sale (f)	—	—
Total non-current and current financial assets g=(a+e+f)	6,875	11,681

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;
- agreements for the sale of network infrastructure in IRU with deferred collection over time recognized using the financial method envisaged by IFRS 16 given the contractual term substantially close to the economic life of the asset;
- lease contracts for commercial products with customers. The financial receivables for lease assets are offset by the financial debt for the corresponding leases payable.

Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature mainly refer to the mark-to-market spot valuation component of the hedging derivatives, whereas **hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature** refer to accrued income on such derivative contracts.

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 112 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Further details are provided in the Note “Derivatives”.

Securities other than investments included in current financial assets relate to:

- 1,040 million euros of listed securities, of which 368 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 672 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in “Sovereign debt securities”, have been made in accordance with the Guidelines for the “Management and control of financial risk” adopted by the TIM Group;
- 406 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 3/1/2023 and 150 million euros of BTP 4/15/2021; starting December 1, 2019, TIM S.p.A. loans these securities to the counterparty NatWest.

On January 27, 2021, TIM S.p.A. renewed the securities lending agreement in place with Telecom Italia Finance S.A., which envisages the lending until February 15, 2023 of 98 million euros (nominal) of BTP 3/1/2023.

On January 29, 2021, TIM S.p.A. borrowed until October 5, 2023 (subject to renewal) 24 million euros (nominal) in BTP 10/15/2023 and 67.5 million euros (nominal) in BTP 2/1/2026; furthermore TIM S.p.A. lent the counterparty NatWest said securities in compliance with the agreement stipulated on December 21, 2020.

From an accounting standpoint, in compliance with IAS/IFRS, the assets are shown exclusively in the financial statements of Telecom Italia Finance S.A., which retains the risks and benefits associated with the position.

Further details are provided in the Note “Accounting policies”.

Cash and cash equivalents amounted to 3,555 million euros, a decrease of 3,349 million euros compared to December 31, 2021 and were broken down as follows:

(million euros)	12/31/2022	12/31/2021
Liquid assets with banks, financial institutions and post offices	2,622	6,092
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	933	812
Total	3,555	6,904

The different technical forms of investing available cash at December 31, 2022 had the following characteristics:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating of at least BBB according to Standard & Poor’s with regard to Europe, and with leading local counterparts with regard to investments in South America;
- country risk: deposits have been made mainly in major European financial markets.

Securities other than investments (due within 3 months) included 447 million euros (812 million euros at December 31, 2021) of Brazilian bank certificates of deposit (*Certificado de Depósito Bancário*) held by the Brazil Business Unit with premier local banking and financial institutions, 350 million euros of monetary portfolio securities and 135 million euros of Euro Commercial Papers, subscribed by Telecom Italia Finance S.A.

NOTE 11

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

This item rose by 99 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2022	of which Financial Instruments	12/31/2021	of which Financial Instruments
Miscellaneous receivables (non-current)	(a)	560	275	433	144
Other non-current assets					
Deferred contract costs		1,702		1,755	
Other deferred costs		103		78	
	(b)	1,805		1,833	
Total	(a+b)	2,365	275	2,266	144

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Miscellaneous receivables (non-current) totaled 560 million euros (433 million euros at December 31, 2021) and included Non-current income tax receivables of 124 million euros (147 million euros at December 31, 2021).

This item was mainly due to the Brazil Business Unit (516 million euros; 379 million euros at December 31, 2021).

More specifically, at December 31, 2022, the Brazil Business Unit showed non-current receivables relating to indirect tax for 153 million euros (137 million euros at December 31, 2021), to direct tax for 93 million euros (116 million euros at December 31, 2021) and to court deposits for 248 million euros (116 million euros at December 31, 2021).

More specifically, the legal deposits included the deposit, at December 31, 2022 equal to 120 million euros, requested in October 2022 by the 7th Business Court of the Legal District of Rio de Janeiro (Brazil) of TIM S.A., as buyer of part of the mobile assets of the Oi Group. Further details are provided in the Note "Disputes and Pending Legal Actions, other information, commitments and guarantees".

Other non-current assets amounted to 1,804 million euros (1,833 million euros at December 31, 2021). They mainly break down as follows:

- **Deferred contract costs** of 1,702 million euros (1,755 million euros at December 31, 2021), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contractual costs (mainly technical activation costs and commissions for the sales network) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 4 years for the mobile business and around 8 years for the fixed-line business).

Total (non-current and current) deferred contract costs amounted to 2,271 million euros (2,297 million euros at December 31, 2021) and break down as follows:

(million euros)	12/31/2022	12/31/2021
Deferred contract costs		
Non-current deferred contract costs	1,702	1,755
Current deferred contract costs	569	542
Total	2,271	2,297

(million euros)	12/31/2022	12/31/2021
Deferred contract costs		
Contract acquisition costs	1,262	1,246
Contract execution costs	1,009	1,051
Total	2,271	2,297

Changes to comprehensive deferred contract costs in 2022 are as follows:

(million euros)	12/31/2021	Increase	Release to income statement	Exchange differences and other changes	12/31/2022
Contract acquisition costs	1,246	369	(345)	(8)	1,262
Contract execution costs	1,051	199	(241)	—	1,009
Total	2,297	568	(586)	(8)	2,271

The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 599 million euros in 2023, based on the amount at December 31, 2022 without taking into account the new deferred portions.

(million euros)	12/31/2022	Year of recognition in the income statement					
		2023	2024	2025	2026	2027	After 2027
Contract acquisition costs	1,262	356	283	217	153	106	147
Contract execution costs	1,009	243	218	182	138	103	125
Total	2,271	599	501	399	291	209	272

- **Other deferred costs** of 103 million euros, mainly attributable to the Parent Company TIM S.p.A. and the companies of the Telecom Italia Sparkle group.

NOTE 12

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2022 amounted to 271 million euros (226 million euros at December 31, 2021).

Specifically, they consisted of:

- non-current income tax receivables of 124 million euros (147 million euros at December 31, 2021), relating to the companies of the Brazil Business Unit (93 million euros) and the Parent TIM S.p.A. (31 million euros). They include receivables of TIM S.A. relating to the decision of the Brazilian Supreme Federal Court on the non-collection of corporate income tax and social contributions on the monetary recalculation that uses the SELIC rate in cases of undue payment and receivables not transferred by the Parent Company related to tax and interest deriving from the recognized deductibility from IRES tax of the IRAP tax calculated on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 147 million euros (79 million euros at December 31, 2021), relating to the companies of the Brazil Business Unit (105 million euros) and the Domestic Business Unit (42 million euros). They include the current portion of these TIM S.A. receivables as well as receivables for tax paid abroad for 10 million euros, the IRAP residual surplus from previous years for 14 million euros, the tax consolidation receivable for 6 million euros and the receivables for the supplementary declarations submitted in 2022 for 2 million euros and other tax receivables of the Parent Company TIM S.p.A.

Tax assets and deferred tax liabilities

The net balance of 685 million euros at December 31, 2022 (3,268 million euros at December 31, 2021) breaks down as follows:

(million euros)	12/31/2022	12/31/2021
Deferred tax assets	769	3,513
Deferred tax liabilities	(84)	(245)
Total	685	3,268

Deferred tax assets at December 31, 2022 referred to the Domestic Business Unit for 523 million euros and to the Brazil Business Unit for 246 million euros. At December 31, 2021, deferred tax assets mainly referred to the Domestic Business Unit, at 3,427 million euros.

In the 2020 financial statements, the Parent Company TIM S.p.A. had benefited from the possibility of realigning the tax values to the greater value of the assets booked, specifically the value of goodwill of 23,051 million euros, as envisaged by Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Accordingly, this resulted in exchange for payment of substitute tax in the amount of 3% of the realigned value (692 million euros), in the possibility to deduct the tax amortization of the realigned value of 23,051 million euros over 18 years, starting 2021. These deductions, which would have generated benefits in terms of IRES and IRAP, have been fully noted at December 31, 2020 amongst deferred tax assets in the amount of 6,569 million euros, in view of the possibility of absorption through the Company's future taxable income, also taking into account the fact that IRES losses can be carried forward without time limits, where such may arise due to temporary incapacity of taxable income.

During 2022, the Parent Company TIM S.p.A. revoked the realignment of goodwill in accordance with Article 1, subsections 624 and 624-bis of Italian Law no. 234 of December 30, 2021, by means of the submission of the supplementary declaration for the 2020 tax period; this has, amongst others, entailed a write-off of the residual IRES deferred tax assets on the value of goodwill for 2,656 million euros. The 2021 financial statements, in addition to the use of 131 million for annual amortization, also included the write-off of 50% of the IRES deferred tax assets on the value of goodwill for 2,766 million euros and all IRAP deferred tax for 1,059 million euros as a consequence of the changes introduced by the 2022 Budget Law (Law 234/2021, Art. 160) to the duration of the period during which amortization of tax-recognized goodwill could be deducted (taking it from 18 to 50 years) and the assessment of the recoverability for IRAP purposes.

The 2022 financial statements do not include IRES deferred tax for period tax losses (as had been done in the previous financial statements) and those of previous years, in consideration of the changed assessment of the time frame for recoverability of deferred tax assets of the Parent Company TIM S.p.A., also determined on the basis of the 2023-2025 Industrial Plan.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 52 million euros (214 million euros at December 31, 2021) and the Domestic Business Unit for 24 million euros (20 million euros at December 31, 2021).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12/31/2022	12/31/2021
Deferred tax assets	1,285	3,999
Deferred tax liabilities	(600)	(731)
Total	685	3,268

The temporary differences which made up this line item at December 31, 2022 and 2021, as well as the movements during 2022, were as follows:

(million euros)	12/31/2021	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12/31/2022
Deferred tax assets					
Tax loss carryforwards (*)	46	(30)		9	25
Derivatives	517	(2)	(226)		289
Provision for bad debts	128	(14)		6	120
Provisions	368	33		14	415
Taxed depreciation and amortization	104	9		(1)	112
Tax realignment pursuant to Decree Law 104/2020 Art. 110	2,656	(2,656)			—
Other deferred tax assets	180	29	(25)	140	324
Total	3,999	(2,631)	(251)	168	1,285
Deferred tax liabilities					
Derivatives	(492)	(3)	164	1	(330)
Business combinations - for step-up of net assets in excess of tax basis	(52)	2	—	(7)	(57)
Accelerated depreciation	(83)	(44)		(9)	(136)
Convertible bonds	(45)	45	—		—
Other deferred taxes	(59)	(15)		(3)	(77)
Total	(731)	(15)	164	(18)	(600)
Total Deferred tax assets net of Deferred tax liabilities	3,268	(2,646)	(87)	150	685

(*) For the new flow of tax losses in 2022, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2022 were the following:

(million euros)	Within next year	Beyond 1 year	Total at 12/31/2022
Deferred tax assets	590	695	1,285
Deferred tax liabilities	(180)	(420)	(600)
Total Deferred tax assets net of Deferred tax liabilities	410	275	685

At December 31, 2022, the TIM Group had unused tax loss carryforwards of 2,862 million euros, mainly relating to the Parent Company TIM S.p.A. and the company Telecom Italia Finance, with the following expiration dates:

Year of expiration	(million euros)
2023	—
2024	1
2025	1
2026	1
2027	—
Expiration after 2027	31
Without expiration	2,828
Total unused tax loss carryforwards	2,862

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 73 million euros at December 31, 2022 (150 million euros at December 31, 2021) and mainly referred to the Brazil

Business Unit. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.

On the other hand, deferred tax assets of 685 million euros (333 million euros at December 31, 2021) were not recognized on 2,788 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.

At December 31, 2022, deferred tax liabilities were not recognized on approximately 1.7 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future. The contingent liabilities relating to taxes that should be recognized, if these reserves are distributed, are in any case not significant.

Income tax payables

Current income tax payables amounted to 34 million euros (526 million euros at December 31, 2021). They break down as follows:

(million euros)	12/31/2022	12/31/2021
Income tax payables:		
non-current	—	231
current	34	295
Total	34	526

The current portion, equal to 34 million euros, refers to the Domestic Business Unit (20 million euros) and to the Brazil Business Unit (14 million euros). Following the specified revocation of the realignment of goodwill in accordance with Article 1, subsections 624 and 624-bis of Italian Law no. 234 of December 30, 2021, current tax payables of the Parent Company TIM S.p.A. at December 31, 2022 have been zeroed (231 million euros at December 31, 2021) for the reversal of the second installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Non-current tax payables, entirely referring to the Parent Company TIM S.p.A., have also been zeroed (231 million euros at December 31, 2021) for the reversal of the third installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, subsections 8 and 8 bis.

Income tax expense

The income tax expense for the years 2022 and 2021 breaks down as follows:

(million euros)	2022	2021
Current taxes for the year	95	15
Net difference in prior year estimates	(675)	(4)
Total current taxes	(580)	11
Deferred taxes	2,646	3,874
Total income tax expense on continuing operations (a)	2,066	3,885
Income tax expense on Discontinued operations/Non-current assets held for sale (b)	—	—
Total income tax expense for the year (a+b)	2,066	3,885

Current tax from previous years includes the income of 692 million euros of the Parent Company TIM S.p.A. deriving from the writing off of substitute tax on the realignment of goodwill (Art. 110, subsection 8 and 8 bis of Decree Law 104/2020) deriving from the revocation of the latter, in accordance with Article 1, subsections 624 and 624-bis, of Law no. 234 of December 30, 2021.

Deferred tax for 2022 includes 2,656 million euros related to the writing off of the residual deferred IRES tax recorded by the Parent Company TIM S.p.A. in 2020 following the tax recognition of higher goodwill values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2022 and 2021 is as follows:

(million euros)	2022	2021
Profit (loss) before tax from continuing operations	(588)	(4,515)
Theoretical income tax expense from continuing operations	(141)	(1,084)
Income tax effect on increases (decreases) in variations		
Tax losses of the year not considered recoverable	280	197
Tax losses from prior years not recoverable (recoverable) in future years	(8)	(20)
Non-deductible write-down of goodwill	—	989
IRES taxes for previous years	—	(8)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others	2,656	2,766
Brazil: different tax rate compared to the theoretical rate in force in Italy	30	48
Brazil: investment incentives	(29)	(28)
Other net differences	(82)	(59)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax	2,706	2,801
Prepaid IRAP including tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110	—	1,084
IRAP including write-off of substitute tax pursuant to Decree Law 104/2020, Art. 110	(640)	—
Total effective taxes recognized in the Income Statement from continuing operations (a)	2,066	3,885
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale (b)	—	—
Total of actual taxes to income statement (a)+(b)	2,066	3,885

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.

NOTE 13

INVENTORIES

The item increased compared to December 31, 2021, by 40 million euros and is broken down as follows:

(million euros)	12/31/2022	12/31/2021
Raw materials and supplies	2	2
Work in progress and semifinished products	8	5
Finished goods	274	246
Deposits on stocks	38	29
Total	322	282

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialist printers.

Inventories consist of 280 million euros for the Domestic Business Unit (250 million euros at December 31, 2021) and 42 million euros for the Brazil Business Unit (32 million euros at December 31, 2021). The increase in inventories of the Domestic Business Unit is mainly due to a trend of lesser consumption seen on the Mobile segment of the Parent Company TIM S.p.A..

The item "Deposits on stocks" refers to deposits paid by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through finance lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 18 million euros at December 31, 2022 (21 million euros at December 31, 2021).

NOTE 14

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 181 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)	12/31/2022	of which Financial Instruments	12/31/2021	of which Financial Instruments
Trade receivables				
Receivables from customers	1,586	1,586	1,545	1,545
Receivables from other telecommunications operators	1,288	1,288	1,130	1,130
(a)	2,874	2,874	2,675	2,675
Miscellaneous receivables (current)				
Other receivables	(b) 689	96	780	101
Other current assets				
Contract assets	17	17	20	20
Deferred contract costs	569		542	
Other deferred costs	337		273	
Other	53		68	
(c)	976	17	903	20
Total	(a+b+c) 4,539	2,987	4,358	2,796

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2022 and December 31, 2021 are provided below:

(million euros)	12/31/2022	of which non- overdue	of which overdue	of which overdue from:			
				0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	2,987	2,371	616	167	84	137	228

(million euros)	12/31/2021	of which non- overdue	of which overdue	of which overdue from:			
				0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	2,796	2,270	526	151	68	77	230

Overdue receivables increased by 101 million euros compared to December 31, 2021. This performance is a result of, for 2022: the Brazil Business Unit (79 million euros, including a positive exchange effect of approximately 61 million euros) and the Domestic Business Unit (22 million euros).

Overdue receivables increased by 90 million euros compared to December 31, 2021. This performance is a result of, for 2022: the Brazil Business Unit (66 million euros, including a positive exchange effect of approximately 9 million euros) and the Domestic Business Unit (24 million euros).

Trade receivables amounted to 2,874 million euros (2,675 million euros at December 31, 2021) and are stated net of the provision for bad debts of 499 million euros (565 million euros at December 31, 2021). They included 12 million euros (9 million euros at December 31, 2021) of medium/long-term receivables mainly relating to agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables mainly related to TIM S.p.A. (1,917 million euros) and to the Brazil Business Unit (653 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12/31/2022	12/31/2021
At January 1	565	627
Provision charges to the income statement	178	212
Utilization and decreases	(275)	(287)
Change in scope	7	1
Exchange rate differences and other changes	24	12
At December 31	499	565

Miscellaneous receivables (current) refer to other receivables amounting to 689 million euros (780 million euros at December 31, 2021) and are net of a provision for bad debts of 41 million euros (46 million euros at December 31, 2021). Details are as follows:

(million euros)	12/31/2022	12/31/2021
Advances to suppliers	282	270
Receivables from employees	10	10
Tax receivables	152	268
Receivables for grants from the government and public entities	11	14
Sundry receivables	234	218
Total	689	780

“Tax receivables” related to the Brazil Business Unit (120 million euros) and the Domestic Business (32 million euros).

“Receivables for grants from the government and public entities” referred mainly to the Ultrabroadband-UBB and Broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.

“Sundry receivables” mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (28 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (26 million euros);
- TIM S.p.A. receivables from social security and pension institutions (17 million euros).

Other current assets included:

- **Contract assets with customers:** this item includes the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized “at a point in time” are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. Contract Assets at December 31, 2022 amounted to 17 million euros (20 million euros at December 31, 2021) and are net of the related write-down provision of 1 million euros and drop by 3 million euros, since the reversal to the income statement of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;
- **Deferred contract costs** (569 million euros; 542 million euros at December 31, 2021) are contract costs (mainly technical activation costs and commissions for the sales network) deferred and recognized in the separate income statements according to the expected duration of the contractual relationship with customers (around 4 years for the mobile business and around 8 years for the fixed-line business). Further details on Deferred contract costs are provided in the Note “Miscellaneous receivables and other non-current assets”.
- **Other deferred costs** mainly concern:
 - the Parent Company essentially for: a) costs related to rental charges and other lease and rental costs (209 million euros); b) costs for the purchase of products and services (25 million euros); c) after-sales expenses on application offers (12 million euros); d) maintenance fees (12 million euros); e) insurance premiums (7 million euros);
 - to the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (22 million euros);
 - the Brazil Business Unit (23 million euros), essentially related to the deferral of service costs.

NOTE 15

EQUITY

This item consisted of:
(million euros)

	12/31/2022	12/31/2021
Equity attributable to owners of the Parent	15,061	17,414
Non-controlling interests	3,664	4,625
Total	18,725	22,039

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12/31/2022	12/31/2021
Share capital	11,614	11,614
Additional paid-in capital	2,133	2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	1,314	3,667
Reserve for financial assets measured at fair value through other comprehensive income	(58)	49
Reserve for hedging instruments	65	(128)
Reserve for exchange differences on translating foreign operations	(2,085)	(2,500)
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(71)	(130)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	—	—
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	3,463	6,376
Total	15,061	17,414

At December 31, 2022, **capital** came to 11,614 million euros net of treasury shares for 63 million euros.

It should be noted that the Parent Company's share capital carries a restriction on tax suspension for fiscal purposes for an amount of 1,191 million euros (11,104 million euros at December 31, 2021), down 9,913 million euros following revocation of the realignment of goodwill in accordance with art. 1, subsections 624 and 624-bis of Law no. 234 of December 30, 2021 and the cessation of the corresponding restriction previously applied to the capital.

In 2022, the capital did not change, as shown in the following table:

Reconciliation between the number of shares outstanding at December 31, 2021 and December 31, 2022

(number of shares)	as at 12/31/2021	Share assignment/issue	as at 12/31/2022	% on Capital
Ordinary shares issued (a)	15,329,466,496	—	15,329,466,496	71.78%
less: treasury shares (b)	(115,942,196)	—	(115,942,196)	
Ordinary shares outstanding (c)	15,213,524,300	—	15,213,524,300	
Savings shares issued and outstanding (d)	6,027,791,699	—	6,027,791,699	28.22%
Total TIM S.p.A. shares issued (a+d)	21,357,258,195	—	21,357,258,195	100.00%
Total TIM S.p.A. shares outstanding (c+d)	21,241,315,999	—	21,241,315,999	

Reconciliation between the value of shares outstanding at December 31, 2021 and December 31, 2022

(million euros)

		Share Capital at 12/31/2021	Change in share capital	Share Capital at 12/31/2022
Ordinary shares issued	(a)	8,381	—	8,381
less: treasury shares	(b)	(63)	—	(63)
Ordinary shares outstanding	(c)	8,318	—	8,318
Savings shares issued and outstanding	(d)	3,296	—	3,296
Total TIM S.p.A. share capital issued	(a+d)	11,677	—	11,677
Total TIM S.p.A. share capital outstanding	(c+d)	11,614	—	11,614

The total value of ordinary treasury shares at December 31, 2022, amounting to 364 million euros, was recorded as follows: the part relating to accounting par value (63 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the board of directors to the shareholders' meeting, during which the annual financial statements are approved, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the event of a distribution of reserves, the savings shares have the same rights as the other shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

Additional paid-in capital, amounting to 2,133 million euros, was unchanged with respect to December 31, 2021.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, negative for 58 million euros at December 31, 2022, decreased by 107 million euros compared to the figure at

December 31, 2021. In particular, the change in 2022 includes the losses from the securities portfolio of Telecom Italia Finance (50 million euros, of which 21 million euros were realized), the losses on the TI Ventures securities portfolio (6 million euros), the losses recorded by Olivetti for the valuation of SECO S.p.A. (36 million euros), the losses related to other current financial assets held by the Parent Company TIM (13 million euros) and the losses related to the equity investment in Fin.Priv. S.r.l. of the Parent Company TIM (2 million euros). This reserve is stated net of deferred tax assets of 3 million euros (at December 31, 2021, it was stated net of deferred tax liabilities of 1 million euros).

- The **Reserve for hedging instruments** had a positive balance of 65 million euros at December 31, 2022, (negative 128 million euros at December 31, 2021). This reserve is stated net of deferred tax liabilities of 22 million euros (at December 31, 2021, it was stated net of deferred tax assets of 39 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 2,085 million euros at December 31, 2022 (negative 2,500 million euros at December 31, 2021) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 2,114 million euros versus negative for 2,523 million euros at December 31, 2021).
- The **Reserve for the remeasurement of employee defined benefit plans**, negative for 71 million euros, increased by 59 million euros compared with December 31, 2021 following the recording of the changes in actuarial gains (losses), net of the related income tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2022 and December 31, 2021.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 3,463 million euros and decreased by 2,913 million euros, as detailed below:

(million euros)	2022	2021
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Dividends approved - TIM S.p.A.	—	(318)
Equity instruments	6	7
FiberCop - capital increase	—	(98)
Other changes	6	(44)
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	(2,913)	(9,105)

Note that following the specified revocation of the realignment of goodwill, the corresponding restriction previously placed on the Parent Company's reserves under tax suspension for fiscal purposes in accordance with Decree Law 104/2020, Art. 110, subsection 8, was lifted.

In 2022, no dividends were deliberated.

In 2021, dividends approved by TIM S.p.A. are 318 million euros and refer to the distribution to Shareholders of a dividend of 0.0100 euro per ordinary share and 0.0275 euro per savings share, gross of statutory withholding taxes.

Equity attributable to non-controlling interests, amounting to 3,664 million euros, mainly refers to FiberCop S.p.A. (2,122 million euros) and the companies of the Brazil Business Unit (1,545 million euros) and shows a decrease of 961 million euros compared to December 31, 2021, as detailed below:

(million euros)	2022	2021
Profit (loss) for the year attributable to Non-controlling interests	271	252
Group Company dividends paid to minority shareholders	(86)	(55)
Changes in the Reserve for exchange differences on translating foreign operations	182	12
Daphne 3 - deconsolidation	(1,332)	—
FiberCop - capital increase	—	1,848
Daphne 3 - distribution of additional paid-in capital	—	(42)
Other changes	4	(15)
Change for the year in Equity attributable to Non-controlling interest	(961)	2,000

The Group company dividends paid to minority shareholders mainly referred to the Brazil Business Unit for 86 million euros. 2021 dividends mainly referred to the Brazil Business Unit for 55 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 973 million euros at December 31, 2022 (negative for 1,155 million euros at December 31, 2021), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

Details of "Future potential changes in share capital" are presented in the Note "Earnings per share".

NOTE 16

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities (gross financial debt) are broken down as follows:

(million euros)	12/31/2022	12/31/2021
Non-current financial liabilities for financing contracts and others		
Financial payables (medium/long-term):		
Bonds	15,259	17,383
Convertible bonds	—	—
Amounts due to banks	5,898	4,394
Other financial payables	305	306
	21,462	22,083
Other medium/long-term financial liabilities:		
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	234	1,337
Non-hedging derivatives	43	17
Other liabilities	—	—
	277	1,354
	(a) 21,739	23,437
Non-current financial liabilities for lease contracts	(b) 4,597	4,064
Total non-current financial liabilities	c=(a+b) 26,336	27,501
Current financial liabilities for financing contracts and others		
Financial payables (short term):		
Bonds	2,799	1,514
Convertible bonds	—	1,998
Amounts due to banks	1,766	2,099
Other financial payables	195	236
	4,760	5,847
Other short-term financial liabilities:		
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	193	62
Non-hedging derivatives	86	36
Other liabilities	—	—
	279	98
	(d) 5,039	5,945
Current financial liabilities for lease contracts	(e) 870	651
Total current financial liabilities (*)	f=(d+e) 5,909	6,596
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	(g) —	—
Total Financial liabilities (Gross financial debt)	h=(c+f+g) 32,245	34,097

Further details on Financial Instruments are provided in the Note "Supplementary disclosures on financial instruments".

Gross financial debt according to the original currency of the transaction is as follows:

	12/31/2022		12/31/2021	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,901	5,532	5,789	5,111
GBP	389	439	389	463
BRL	17,348	3,117	12,694	2,008
YEN	20,030	142	20,030	154
ILS	49	13	51	14
EUR		23,002		26,347
Total		32,245		34,097

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12/31/2022	12/31/2021
Up to 2.5%	5,873	8,619
From 2.5% to 5%	13,469	12,872
From 5% to 7.5%	6,920	7,055
From 7.5% to 10%	2,024	1,971
Over 10%	2,748	1,437
Accruals/deferrals, MTM and derivatives	1,211	2,143
Total	32,245	34,097

Following the use of hedging instruments, on the other hand, gross financial debt by nominal interest rate level is:

(million euros)	12/31/2022	12/31/2021
Up to 2.5%	8,416	15,353
From 2.5% to 5%	13,168	9,936
From 5% to 7.5%	5,039	3,396
From 7.5% to 10%	1,192	1,334
Over 10%	3,219	1,935
Accruals/deferrals, MTM and derivatives	1,211	2,143
Total	32,245	34,097

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount:

(million euros)	maturing by 12/31 of the year:						Total
	2023	2024	2025	2026	2027	After 2027	
Bonds	2,423	3,406	2,000	1,750	1,250	6,723	17,552
Loans and other financial liabilities	962	1,021	1,419	2,249	727	170	6,548
Finance lease liabilities	786	1,178	593	505	447	1,873	5,382
Total	4,171	5,605	4,012	4,504	2,424	8,766	29,482
Current financial liabilities	1,109	—	—	—	—	—	1,109
Total	5,280	5,605	4,012	4,504	2,424	8,766	30,591

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12/31/2022	12/31/2021
Non-current portion	15,259	17,383
Current portion	2,799	1,514
Total carrying amount	18,058	18,897
Fair value adjustment and measurements at amortized cost	(506)	(559)
Total nominal repayment amount	17,552	18,338

The nominal repayment amount of bonds totaled 17,552 million euros, down by 2,786 million euros compared to December 31, 2021 (20,338 million euros) as a result of repayments made in 2022.

The change in bonds during 2022 was as follows:

Repayments

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 2002-2022 reserved for subscription by employees	Euro	214	1/1/2022
Telecom Italia S.p.A. 1,250 million euros 5.25% ⁽¹⁾	Euro	884	2/10/2022
Telecom Italia S.p.A. 2,000 million euros 1.125% Convertible bond	Euro	2,000	3/26/2022

⁽¹⁾ Net of buy-backs totaling 366 million euros made by the company in 2015.

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond buy-backs, and also at market value:

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2022 (%)	Market value at 12/31/2022 (million euros)
Bonds issued by TIM S.p.A.								
Euro	1,000	1,000	3.250%	1/16/2015	1/16/2023	99.446	99.915	999
GBP	375	423	5.875%	5/19/2006	5/19/2023	99.622	99.331	420
Euro	1,000	1,000	2.500%	1/19/2017	7/19/2023	99.288	98.668	987
Euro	750	750	3.625%	1/20/2016	1/19/2024	99.632	97.978	735
Euro	1,250	1,250	4.000%	1/11/2019	4/11/2024	99.436	97.690	1,221
USD	1,500	1,406	5.303%	5/30/2014	5/30/2024	100	94.785	1,333
Euro	1,000	1,000	2.750%	4/15/2019	4/15/2025	99.320	95.816	958
Euro	1,000	1,000	3.000%	9/30/2016	9/30/2025	99.806	93.064	931
Euro	750	750	2.875%	6/28/2018	1/28/2026	100	91.261	684
Euro	1,000	1,000	3.625%	5/25/2016	5/25/2026	100	93.595	936
Euro	1,250	1,250	2.375%	10/12/2017	10/12/2027	99.185	84.352	1,054
Euro	1,000	1,000	1.625%	1/18/2021	1/18/2029	99.074	76.481	765
Euro	670	670	5.250%	3/17/2005	3/17/2055	99.667	74.328	498
Subtotal		12,499						11,521
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	^(a) 109.646	105.749	1,073
Subtotal		1,015						1,073
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	937.5	6.375%	10/29/2003	11/15/2033	99.558	81.924	768
USD	1,000	937.5	6.000%	10/06/2004	9/30/2034	99.081	76.235	715
USD	1,000	937.5	7.200%	7/18/2006	7/18/2036	99.440	81.424	763
USD	1,000	937.5	7.721%	6/04/2008	6/04/2038	100	83.681	785
Subtotal		3,750						3,031
Bonds issued by TIM S.A.								
BRL	1,600	288	IPCA+4.1682%	6/15/2021	6/15/2028	100	100	288
Subtotal		288						288
Total		17,552						15,913

(a) Weighted average issue price for bonds issued with more than one tranche.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

On January 20, 2023, TIM issued a 5-year Bond for an amount of 850 million euros, coupon 6.875%. Medium/long-term amounts **due to banks** totaled 5,898 million euros (4,394 million euros at December 31, 2021). On July 6, 2022, TIM stipulated a loan with a pool of leading international banks, which benefits from the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020 as subsequently amended and supplemented) for an amount of 2 billion euros. Short-term amounts due to banks totaled 1,766 million euros (2,099 million euros at December 31, 2021) and included 845 million euros of the current portion of medium/long-term amounts due to banks and 495 million euros in repurchase agreements due by April 2023.

The other medium/long-term **financial payables** totaled 305 million euros (306 million euros at December 31, 2021), 140 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 195 million euros (236 million euros at December 31, 2021) and included 19 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **financial liabilities for lease contracts** amounted to 4,597 million euros (4,064 million euros at December 31, 2021), whilst short-term payables totaled 870 million euros (651 million euros at December 31, 2021) and included 856 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the finance lease liabilities recognized in 2022 and 2021, the following is noted:

(million euros)	2022	2021
Principal reimbursements	708	604
Cash out interest portion	315	263
Total	1,023	867

Hedging derivatives relating to items classified as non-current financial liabilities amount to 234 million euros (1,337 million euros at December 31, 2021). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 193 million euros (62 million euros at December 31, 2021).

Non-hedging derivatives classified as non-current financial liabilities came to 43 million euros (17 million euros at December 31, 2021), while non-hedging derivatives classified under current financial liabilities amounted to 86 million euros (36 million euros at December 31, 2021). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

Covenants and negative pledges in place at December 31, 2022

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

Regarding loans taken out by TIM 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, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros.

Therefore, at December 31, 2022 the nominal total of outstanding loans with the EIB was 700 million euros, all drawn down and not backed by bank guarantee.

The two EIB loans signed on November 25, 2019 and May 19, 2021 contain the following covenants:

- in the event the company becomes the target of a merger, demerger or conferral of a business segment outside the TIM 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 agreements, 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 TIM 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 TIM Group companies other than TIM – except for the cases when that debt is fully and irrevocably secured by TIM – is lower than 35% (thirty-five percent) of the TIM 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 agreement or choose an alternative solution.

The TIM loan agreements do not contain any financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the loan in place, with the exception of the loan signed on July 6, 2022, which is backed by the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020, as subsequently amended and supplemented).

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 Group generally contain obligations to comply with certain financial ratios, as well as the usual other covenants, under penalty of a request for the early repayment of the loan.

Finally, as at December 31, 2022, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility and Term Loan

The following table shows committed credit lines^(*) available at December 31, 2022:

(billion euros)	12/31/2022		12/31/2021	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - May 2026	4.0	—	4.0	—
Total	4.0	—	4.0	—

(*) In accordance with the contract signed, the Banks have committed to make the funds available on demand (with at least 3 days' notice). As this is a "Committed" line, the banks have no mechanisms in place not to honor the request for funds made by the Company, without prejudice to the market standard early mandatory cancellation clauses (Natural contract expiry, Change in control, Borrower illegality, Events of default).

On July 6, 2022, TIM stipulated a new loan with a pool of leading international banks, which benefits from the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020 as subsequently amended and supplemented) for an amount of 2 billion euros.

Rating at December 31, 2022

At December 31, 2022, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	B+	Negative
MOODY'S	B1	Negative
FITCH RATINGS	BB-	Negative

NOTE 17

NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at December 31, 2022 and December 31, 2021, determined in accordance with the provisions of the “Guidelines on disclosure requirements under the Prospectus Regulation” issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021. This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		12/31/2022	12/31/2021
Liquid assets with banks, financial institutions and post offices	(a)	2,622	6,092
Other cash and cash equivalents	(b)	933	812
Securities other than investments	(c)	1,446	2,249
Liquidity	(d=a+b+c)	5,001	9,153
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,115	1,538
Current portion of non-current financial debt	(f)	4,663	4,937
Current financial debt	(g=e+f)	5,778	6,475
Net current financial debt	(h=g-d)	777	(2,678)
Non-current financial debt (excluding the current part and debt instruments)	(i)	9,523	8,083
Debt instruments	(j)	15,259	17,383
Trade payables and other non-current debt (**)	(k)	117	81
Non-current financial debt	(l=i+j+k)	24,899	25,547
Total net financial debt as per ESMA guidelines 32-382-1138	(m=h+l)	25,676	22,869
Trade payables and other non-current debt (**)		(117)	(81)
Non-current financial receivables arising from lease contracts		(49)	(45)
Current financial receivables arising from lease contracts		(69)	(56)
Financial receivables and other current financial assets		(23)	(21)
Other financial receivables and other non-current financial assets		(48)	(250)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	(n)	(306)	(453)
Net financial debt carrying amount (*)	(p=m+n)	25,370	22,416
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(6)	(229)
Adjusted Net Financial Debt	(r=p+q)	25,364	22,187

(*) As regards the effects of related-party transactions on net financial debt, reference should be made to the specific table included in the Note “Related-party transactions”.

(**) Mainly include the payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses (55 million euros at December 31, 2022), also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

Additional cash flow information required by IAS 7

(million euros)	12/31/2021	Cash movements		Non-cash movements			12/31/2022	
		Receipts and/or issues	Payments and/or reimbursements	Exchange differences	Fair value changes	Other changes and reclassifications		
Financial payables (medium/long-term):								
Bonds	18,897		(1,098)	312	(46)	(7)	18,058	
Convertible bonds	1,998		(2,000)			2	—	
Amounts due to banks	5,180	2,288	(804)	40		39	6,743	
Other financial payables	321		(5)	7		1	324	
	(a)	26,396	2,288	(3,907)	359	(46)	35	25,125
of which short-term		4,313					3,663	
Medium/long-term finance lease liabilities:								
	(b)	4,712	254	(708)	161	1,034	5,453	
	(b)	4,712	254	(708)	161	—	5,453	
of which short-term		648					856	
Other medium/long-term financial liabilities:								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		1,399			(972)		427	
Non-hedging derivative liabilities		52		7	50	16	125	
Other liabilities		—					—	
	(c)	1,451	—	—	7	(922)	16	552
of which short-term		97					275	
Financial payables (short term):								
Amounts due to banks		1,313				(392)	921	
Other financial payables		225		4	(2)	(33)	194	
	(d)	1,538	—	—	4	(2)	(425)	1,115
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:								
	(e)	—	—	—	—	—	—	
Total Financial liabilities (Gross financial debt)								
	(f=a+b+c+d+e)	34,097	2,542	(4,615)	531	(970)	660	32,245
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature								
	(g)	2,015		267	(770)	7	1,519	
Non-hedging derivative receivables	(h)	141		(1)	23	3	166	
Total	(i=f-g-h)	31,941	2,542	(4,615)	265	(223)	650	30,560

The value of the paid and collected interest expense reported in the Report on Operations takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(million euros)	2022	2021
Interest expense paid	(1,668)	(1,440)
Interest income received	562	437
Net total	(1,106)	(1,003)

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2022	2021
Interest expense paid	(1,297)	(1,104)
Interest income received	191	101
Net total	(1,106)	(1,003)

NOTE 18

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States, Great Britain and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt composition. In consideration of the Group's operating activities, the optimum combination of medium/long-term non-current financial liabilities has been identified, on the basis of the nominal value, in the 65%-85% range for the fixed-rate component and in the 15%-35% range for the variable-rate component.

In managing market risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans in euros. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a "BBB-" rating from Standard & Poor's or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2022;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;
- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;

- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2022 (and also at December 31, 2021), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the single companies' financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2022 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of 53 million euros (-18 million euros at December 31, 2021).

Refer to Note "Accounting Policies" for the potential risk generated by the reform of benchmark interest rates.

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12/31/2022			12/31/2021		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Bonds	15,564	1,988	17,552	19,571	767	20,338
Loans and other financial liabilities	5,414	6,516	11,930	5,012	4,946	9,958
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	20,978	8,504	29,482	24,583	5,713	30,296
Total current financial liabilities (*)	689	420	1,109	1,264	272	1,536
Total	21,667	8,924	30,591	25,847	5,985	31,832

Total Financial assets (at the nominal investment amount)

(million euros)	12/31/2022			12/31/2021		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Cash and cash equivalents	—	2,621	2,621	—	6,092	6,092
Securities	1,520	908	2,428	1,421	1,616	3,037
Other receivables	1,085	63	1,148	1,008	51	1,059
Total	2,605	3,592	6,197	2,429	7,759	10,188

With regard to variable-rate financial instruments, the contracts provide for revisions of the related parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial liabilities

(million euros)	12/31/2022		12/31/2021	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	17,504	4.67	20,249	4.32
Loans and other financial liabilities	13,530	4.78	11,705	3.21
Total	31,034	4.72	31,954	3.91

Total Financial assets

(million euros)	12/31/2022		12/31/2021	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	2,621	0.93	6,092	0.00
Securities	2,428	1.28	3,037	1.08
Other receivables	188	3.11	364	3.40
Total	5,237	1.17	9,493	0.47

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to the Note "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average uncollectibility estimated on the basis of statistics. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

In order to improve credit risk management and relieve pressure on working capital, with specific reference to the offers for the Consumer market involving the option of paying for products by installments, starting February 1, 2021, the company TIMFin has been operating, the result of the corporate joint venture between Santander Consumer Bank (SCB) and TIM.

In 2022, TIMFin expanded the areas of operation, offering finance to also support sales made on the web store channel Tim.it, in addition to covering the physical stores as it had already been doing since the first year of operation.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2022, the liquidity margin available for the TIM Group is 9,001 million euros, with a decrease of 4,152 million euros with respect to end 2021 (13,153 million euros). Moreover, on January 20, 2023, TIM issued a 5-year Bond for an amount of 850 million euros and a coupon of 6.875%. 17% of gross financial debt at December 31, 2022 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2022, together with unused committed bank lines, are sufficient to fully cover the Group's financial liabilities due for the next 18 months.

The following tables report the contractual cash flows, not discounted to present value, related to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2022. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the related hedging instruments. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year:						Total
		2023	2024	2025	2026	2027	After 2027	
Bonds	Principal	2,423	3,406	2,000	1,750	1,250	6,723	17,552
	Interest portion	772	653	539	480	419	3,611	6,474
Loans and other financial liabilities (*)	Principal	962	1,021	1,419	2,249	727	170	6,548
	Interest portion	108	32	(12)	(70)	(82)	(854)	(878)
Finance lease liabilities	Principal	786	1,178	593	505	447	1,873	5,382
	Interest portion	405	345	286	231	199	753	2,219
Non-current financial liabilities	Principal	4,171	5,605	4,012	4,504	2,424	8,766	29,482
	Interest portion	1,285	1,030	813	641	536	3,510	7,815
Current financial liabilities	Principal	1,109	—	—	—	—	—	1,109
	Interest portion	25	—	—	—	—	—	25
Total	Principal	5,280	5,605	4,012	4,504	2,424	8,766	30,591
	Interest portion	1,310	1,030	813	641	536	3,510	7,840

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)	maturing by 12/31 of the year:					After 2027	Total
	2023	2024	2025	2026	2027		
Disbursements	306	247	223	223	222	1,522	2,743
Receipts	(423)	(369)	(334)	(334)	(334)	(2,454)	(4,248)
Hedging derivatives – net (receipts) disbursements	(117)	(122)	(111)	(111)	(112)	(932)	(1,505)
Disbursements	334	193	70	154	139	143	1,033
Receipts	(237)	(145)	(41)	(141)	(135)	(148)	(847)
Non-Hedging derivatives – net (receipts) disbursements	97	48	29	13	4	(5)	186
Total net disbursements (receipts)	(20)	(74)	(82)	(98)	(108)	(937)	(1,319)

Market value of derivative instruments

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRSs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs involve the exchange of the reference interest and principal, in the respective denomination currencies.

Options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 19 DERIVATIVES

For hedge accounting we continued to apply the rules established by IAS 39.

Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.

Derivative financial instruments existing at December 31, 2022 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.

The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

Hedging: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2022 belong to two categories: i) hedging of the fair value of bond issues denominated in euros and ii) hedging of cash flows from income flows of bond issues and future trade items denominated in currencies other than the Euro.

In the first case, the hedged risk is represented by the fair value of the bond attributable to euro interest rates and is hedged by IRS. The current value of both the underlying and derivative instruments, depends on the structure of the Euro market interest rates at the basis of the calculation of discount factors and floating interest flows of the derivative. In particular, interest rate fluctuations translate as changes in the discount factors of the fixed-interest expense flow on the underlying instrument; on the derivative, changes in the discount factor of interest income will occur, as well as changes in the nominal flow of variable interest (only partially corrected by the discounting effect). The effects induced on the derivative are opposite, in accounting terms, to the effects on the underlying instrument.

In the second case, relating to the bond issues, the hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce physiologically opposite effects on the

underlying instrument and on the derivative, as the receivable leg of the latter faithfully reflects the underlying instrument, while the payable leg is denominated in euros, and is therefore insensitive to the exchange rate. As regards the commercial forecast transactions, the risk hedged is always ascribed to the variability of the cash flow linked to exchange rates, but the hedge is assured through an active deposit denominated in the same currency as the items hedged; the write-backs/write-downs of the deposit in foreign currency generated by oscillations in the exchange rate are structurally the same and opposite to the impacts produced on the underlying items.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, both fair value hedges and cash flows hedges, although financially perfect, may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2022 and 2021; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	Hedged risk	Notional amount at 12/31/2022	Notional amount at 12/31/2021	Mark to Market Spot* (Clean Price) at 12/31/2022	Spot Mark-to- Market* (Clean Price) at 12/31/2021
Interest rate swaps	Interest rate risk	300	300	—	3
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		300	300	—	3
Interest rate swaps	Interest rate risk	4,994	4,855	249	375
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	5,184	5,195	770	173
Total Cash Flow Hedge Derivatives		10,178	10,050	1,019	548
Total Non-Hedge Accounting Derivatives		2,638	2,702	23	60
Total TIM Group's Derivatives		13,116	13,052	1,042	611

* The Spot Mark-to-Market above represents the market valuation of the derivative, net of the accrued portion of the flow in progress.

The positions in non hedge accounting derivatives also include IRS Euros for a total notional amount of 1,400 million euros; specifically, these are fair value hedges of bond loans in euros, maturing in January 2024 and which were discontinued in 2021.

In the same item the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction;
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 112 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	300	—	(3)
Assets				—	
Liabilities				—	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	—	—	—
Assets				—	
Liabilities				—	
Derivative instruments (spot value)		a)+b)	300	—	(3)
Accruals				1	
Derivative instruments (gross value)				1	
Underlying instruments ⁽¹⁾	Bonds - Current/non-current liabilities		300	(300)	
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		—	3
Ineffectiveness		a)+b)+c)			1
Fair value adjustment for hedging settled in advance ⁽²⁾				(83)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.

(2) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item	Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	4,994	249	(126)
Assets			403	(727)	
Liabilities			(154)	601	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	5,184	770	597
Assets			981	227	
Liabilities			(211)	371	
Derivative instruments (spot value)	a)+b)	10,178	1,019	471	
Accruals			73		
Derivative instruments (gross value)			1,092		
of which equity reserve gains and losses				225	
Determination of ineffectiveness					
Change in derivatives	c)				253
Change in underlying instruments ⁽³⁾	d)				(253)
Ineffectiveness ⁽⁴⁾	Positive fair value adjustment of financial derivatives - non-hedging c)+d)				6
Equity reserve					
Equity reserve balance			87		
of which due to the fair value of hedging settled in advance			—		
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)			11	

(3) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.

(4) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

The change in the equity reserve attributable to the effective hedging component is equal to 254 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2021	Change				Other	Balance 12/31/2022
	(167)	Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance			87
Change in the effective fair value of derivatives		225					
Change in the CVA/DVA		33					
Reversal for ineffectiveness 2019			11				
Amortization in P&L of the fair value of hedging settled in advance					(15)		
Other						—	
Overall change							254

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	Notional amount in denomination currency (millions)	Start of period	End of period	Rate applied	Interest period	Hedging of notional amount in euro (millions)	Hedging of rate in euro
GBP	375	Jan-23	May-23	5.875%	Annually	552	5.535%
JPY*	20,000	Jan-23	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-23	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-23	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-23	May-24	5.303%	Semiannuall	1,099	4.226%
USD	1,000	Jan-23	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-23	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-23	Jun-38	7.721%	Semiannuall	645	7.470%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.

** Hedging of the sole income cash flow following a step-up on the loan.

The method selected to test the effectiveness retrospectively and, whenever the main terms do not fully coincide, prospectively, for cash flow hedge derivatives and fair value hedge derivatives is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 20

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed;
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2022 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2022 and December 31, 2021 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair value through other comprehensive income	FVTOCI
Fair value through profit or loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair value through profit or loss	FVTPL
Hedging Derivatives	HD
Not applicable	n.a.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2022

their fair value at 12/31/2022				Amounts recognized in financial statements			Levels of hierarchy or of fair value					
(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2022	Amortized cost	Fair value through other comprehensive income	Fair value through separate income statement	Level 1	Level 2	Level 3	Carrying amount under IFRS 16	Fair Value at 12/31/2022	
ASSETS												
Financial assets measured at amortized cost			AC	6,888	6,888	—	—					6,888
Non-current assets												
Receivables from employees			(10)	39	39							
Other financial receivables			(10)	9	9							
Miscellaneous non-current receivables			(11)	275	275							
Current assets												
Receivables from employees			(10)	21	21							
Other short-term financial receivables			(10)	2	2							
Cash and cash equivalents			(10)	3,555	3,555							
Trade receivables			(14)	2,874	2,874							
Other current receivables			(14)	96	96							
Contract assets			(14)	17	17							
Financial assets measured at fair value through other comprehensive income			FVTOCI	1,156	—	1,156	—					1,156
Non-current assets												
Other investments			(9)	116		116	56	20	40			
Securities other than investments			(10)	—		—	—					
Current assets												
Trade receivables			(14)			—						
Securities other than investments			(10)	1,040		1,040	1,040					
Financial assets measured at fair value through profit or loss			FVTPL	572	—	—	572					572
Non-current assets												
Non-hedging derivatives			(10)	119		119	119	—				
Current assets												
Securities other than investments			(10)	406		406	406					
Non-hedging derivatives			(10)	47		47	47					
Hedging Derivatives			HD	1,519	—	1,518	1					1,519
Non-current assets												
Hedging Derivatives			(10)	1,435		1,435	—	1,435	—			
Current assets												
Hedging Derivatives			(10)	84		83	1	84	—			
Financial receivables for lease contracts			n.a.	118						118	118	
Non-current assets			(10)	49						49		
Current assets			(10)	69						69		
Total				10,253	6,888	2,674	573	1,502	1,705	40	118	10,253

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy or of fair value				Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3	Carrying amount under IFRS 16	
LIABILITIES											
Financial liabilities measured at amortized cost	AC/HD		31,939	31,939							29,975
Non-current liabilities											
Financial payables (medium/long-term)		(16)	21,462	21,462							
Current liabilities											
Financial payables (short-term)		(16)	4,760	4,760							
Trade and miscellaneous payables and other current liabilities		(24)	5,584	5,584							
Contract liabilities		(24)	133	133							
Financial liabilities measured at fair value through profit or loss	FVTPL		129			129					129
Non-current liabilities											
Non-hedging derivatives		(16)	43			43		28	15		
Current liabilities											
Non-hedging derivatives		(16)	86			86		86	—		
Hedging Derivatives	HD		427		427	—					427
Non-current liabilities											
Hedging Derivatives		(16)	234		234	—		234	—		
Current liabilities											
Hedging Derivatives		(16)	193		193	—		193	—		
Finance lease liabilities	n.a.		5,467							5,467	5,404
Non-current liabilities		(16)	4,597							4,597	
Current liabilities		(16)	870							870	
Total			37,962	31,939	427	129	—	541	15	5,467	35,935

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Srl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2021

their fair value at 12/31/2021											
(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		10,115	10,115	—	—					10,115
Non-current assets											
Receivables from employees		(10)	39	39							
Other financial receivables		(10)	211	211							
Miscellaneous non-current		(11)	144	144							
Current assets											
Receivables from employees		(10)	12	12							
Other short-term financial receivables		(10)	9	9							
Cash and cash equivalents		(10)	6,904	6,904							
Trade receivables		(14)	2,675	2,675							
Other current receivables		(14)	101	101							
Contract assets		(14)	20	20							
Financial assets measured at fair value through other comprehensive income											
	FVTOCI		1,671	—	1,671	—					1,671
Non-current assets											
Other investments		(9)	156		156		92	22	42		
Securities other than investments		(10)	—		—		—				
Current assets											
Trade receivables		(14)			—						
Securities other than investments		(10)	1,515		1,515		1,515				
Financial assets measured at fair value through profit or loss											
	FVTPL		875	—	—	875					875
Non-current assets											
Non-hedging derivatives		(10)	100			100		100	—		
Current assets											
Securities other than investments		(10)	734			734	734				
Non-hedging derivatives		(10)	41			41		41			
Hedging Derivatives	HD		2,015	—	2,012	3					2,015
Non-current assets											
Hedging Derivatives		(10)	1,935		1,933	2		1,935	—		
Current assets											
Hedging Derivatives		(10)	80		79	1		80	—		
Financial receivables for lease contracts	n.a.		101							101	101
Non-current assets		(10)	45							45	
Current assets		(10)	56							56	
Total			14,777	10,115	3,683	878	2,341	2,178	42	101	14,777

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value		Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2		
LIABILITIES										
Financial liabilities measured at amortized cost	AC/HD		35,096	35,096						36,077
Non-current liabilities										
Financial payables (medium/long-term)	(16)	22,083	22,083							—
Current liabilities										
Financial payables (short-term)	(16)	5,847	5,847							—
Trade and miscellaneous payables and other current liabilities	(24)	7,056	7,056							
Contract liabilities	(24)	110	110							
Financial liabilities measured at fair value through profit or loss	FVTPL		53			53				53
Non-current liabilities										
Non-hedging derivatives	(16)	17				17		2		
Current liabilities										
Non-hedging derivatives	(16)	36				36		36		
Hedging Derivatives	HD	1,399		1,399		—				1,399
Non-current liabilities										
Hedging Derivatives	(16)	1,337		1,337		—		1,337		
Current liabilities										
Hedging Derivatives	(16)	62		62		—		62		
Finance lease liabilities	n.a.	4,715							4,715	5,542
Non-current liabilities	(16)	4,064							4,064	
Current liabilities	(16)	651							651	
Total		41,263	35,096	1,399	53	—	1,437	4,715	43,071	

Gains and losses by IAS 9 category - Year 2022

(million euros)	IFRS 9 categories	Net gains/(losses) 2022	of which interest
Assets measured at amortized cost	AC	(181)	106
Assets and liabilities measured at fair value through profit or loss	FVTPL	(141)	
Assets measured at fair value through other comprehensive income	FVTOCI	2	
Liabilities measured at amortized cost	AC	(1,056)	940
Total		(1,376)	1,046

Gains and losses by IAS 9 category - Year 2021

(million euros)	IFRS 9 categories	Net gains/(losses) 2021	of which interest
Assets measured at amortized cost	AC	(275)	62
Assets and liabilities measured at fair value through profit or loss	FVTPL	(10)	
Assets measured at fair value through other comprehensive income	FVTOCI	5	
Liabilities measured at amortized cost	AC	(958)	870
Total		(1,238)	932

NOTE 21

EMPLOYEE BENEFITS

This item rose by 93 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)	12/31/2020	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2021
Provision for employee severance indemnities (a)	701	20	(48)	5	678
Provisions for pension plans	23	—	(2)	—	21
Provision for termination benefit incentives and corporate restructuring	39	8	(44)	(3)	—
Total other employee benefits (b)	62	8	(46)	(3)	21
Total (a+b)	763	28	(94)	2	699
<i>of which:</i>					
non-current portion	724				699
current portion (*)	39				—

(*) The current portion refers only to Other provisions for employee benefits.

(million euros)	12/31/2021	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2022
Provision for employee severance (a)	678	(61)	(64)		553
Provision for pension and other plans	21	(3)	(2)		16
Provision for termination benefit incentives and corporate restructuring	—	224		(1)	223
Total other employee benefits (b)	21	221	(2)	(1)	239
Total (a+b)	699	160	(66)	(1)	792
<i>of which:</i>					
non-current portion	699				684
current portion (*)	—				108

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased on the whole by 125 million euros. The decreases of 64 million euros relating to indemnities paid during the year to employees who terminated employment or for advances.

The changes recorded in “Increases/Present value” are as follows:

(million euros)	2022	2021
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	12	5
Net actuarial (gains) losses for the year	(73)	15
Total	(61)	20

Effective return on plan assets

there are no assets servicing the plan

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under “Employee benefits expenses” under “Social security expenses”. The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

The net actuarial gains recognized at December 31, 2022 amounted to 73 million euros (net actuarial gains of 15 million euros in 2021), and are essentially connected with both staff turnover and changes to the technical-economic parameters used in the valuation: the inflation rate forecast went from 1.75% at December 31, 2021 to 2.30% at December 31, 2022; the discount rate increased, going from the 0.98% used at December 31, 2021 to 3.63% at December 31, 2022.

According to national law, the amount of provision for employee severance indemnities to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The amount of severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	2.30% per annum	2.30% per annum
Discount rate	3.63% per annum	3.63% per annum
Employee severance indemnities annual increase rate	3.225% per annum	3.225% per annum
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 553 million euros at December 31, 2022 (678 million euros at December 31, 2021).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 7.9 years.

CHANGES IN ASSUMPTIONS

Amounts
(million euros)

Turnover rate:	
+0.25 p.p.	(1)
- 0.25 p.p.	1
Annual inflation rate:	
+0.25 p.p.	(15)
- 0.25 p.p.	15
Annual discount rate:	
+0.25 p.p.	19
- 0.25 p.p.	(21)

The **Provision for pension and other plans** amounted to 16 million euros at December 31, 2022 (21 million euros at December 31, 2021) and mainly represented pension plans in place at foreign companies of the Group.

The **provisions for termination benefit incentives and corporate restructuring** increased in 2022 by 223 million euros and are mainly linked to outgoing managerial and non-managerial staff, envisaged according to the application of art. 4 of Law no. 92 of June 28, 2012 and former art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015, as per the agreements signed, during the year, with the trade unions by the Parent Company TIM S.p.A., by Telecom Italia Sparkle, by Telecontact, by Noovle, by Olivetti, by Telecom Italia Trust Technologies and by Telsy.

NOTE 22 PROVISIONS

These decreased by 234 million euros compared to December 31, 2021. The breakdown is as follows:

(million euros)	12/31/2021	Increase	Taken to income	Used directly	Exchange differences and other changes	12/31/2022
Provision for taxation and tax risks	73	8	(1)	(5)	14	89
Provision for restoration costs	281	21	—	(11)	43	334
Provision for legal disputes	441	75	—	(71)	(1)	444
Provision for commercial risks	677	94	(15)	(412)	18	362
Provision for risks and charges on investments and corporate-related transactions	12	—	—	(1)	—	11
Other provisions	4	11	—	(1)	—	14
Total	1,488	209	(16)	(501)	74	1,254
of which:						
non-current portion	926					910
current portion	562					344

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account expected cash outflows.

The **provision for taxation and tax risks** increased by 16 million euros compared to December 31, 2021.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile sector and for the dismantling of certain assets (particularly batteries and wooden piling); it mainly refers to the Parent TIM S.p.A (150 million euros), the company FiberCop (131 million euros) and the Brazil Business Unit (52 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2022 included 329 million euros for the Domestic Business Unit and 115 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. During 2022, it reduced by 315 million euros mainly in view of:

- a use for 346 million euros of the Provision for contractual risks on onerous contracts (IAS 37) recorded in the 2021 financial statements relating to ongoing relations with some counterparties for the offer of

multimedia content and representative of the net present value of the negative margin connected with these partnerships;

- a provision made by TIM S.p.A. 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.

The **provision for risks and charges on investments and corporate-related transactions** reduced by 1 million euros on the previous year.

Other provisions for risks and charges come to 14 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 23

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

These decreased by 267 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)	12/31/2022	12/31/2021
Miscellaneous payables (non-current)		
Payables to social security agencies	400	452
Income tax payables (*)	—	231
Other payables	58	7
(a)	458	690
Other non-current liabilities		
Deferred revenues from customer contracts (Contract liabilities)	87	88
Other deferred revenue and income	354	368
Capital grants	247	267
(b)	688	723
Total	(a+b) 1,146	1,413

(*) Analyzed in the Note "Income tax expense".

Miscellaneous payables (non-current) include:

- **payables to social security agencies** amounting to 400 million euros, mainly relating to the non-current debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4 of Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015 (for further details see the Note "Employee benefits expenses"). This debt position (non-current and current portion) is as follows:

(million euros)	12/31/2022	12/31/2021
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	385	443
Due beyond 5 years after the end of the reporting period	15	9
	400	452
Current payables	244	258
Total	644	710

- **other payables** equal to 58 million euros at December 31, 2021 referring mainly to the Brazil Business Unit.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 87 million euros (88 million euros at December 31, 2021) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2022 will be reversed to the income statement generally by 2024. In particular, the item includes:
 - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (41 million euros);
 - TIM S.p.A. deferred revenues for network access subscription charges (21 million euros);
 - Deferred revenues of TIM S.p.A. for outsourcing charges (17 million euros);
 - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (3 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.

- **Other deferred revenue and income** totaling 354 million euros; the item consisted of the non-current portion (approx. 113 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity.
- **Capital grants** of 247 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 24

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item fell by 1,274 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)	12/31/2022	of which Financial Instruments	12/31/2021	of which Financial Instruments
Trade payables				
Payables due to suppliers	4,943	4,943	4,745	4,745
Payables to other telecommunications operators	352	352	416	416
(a)	5,295	5,295	5,161	5,161
Tax payables	(b)		168	
Miscellaneous payables				
Payables for employee compensation	247		176	
Payables to social security agencies	353		386	
Payables for TLC operating fee	324		165	
Dividends approved, but not yet paid to shareholders	48	48	36	36
Other	329	241	1,968	1,859
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months	108		—	
Provisions for risks and charges for the current portion expected to be settled within 12 months	344		562	
(c)	1,753	289	3,293	1,895
Other current liabilities				
Liabilities from customer contracts (Contract liabilities)	840	133	757	110
Other deferred revenue and income	59		66	
Other	36		28	
(d)	935	133	851	110
Total	(a+b+c+d) 8,199	5,717	9,473	7,166

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,295 million euros (5,161 million euros at December 31, 2021), mainly refer to:

- TIM S.p.A. (3,745 million euros); the increase on December 31, 2021 reflects the dynamics of payments relating to bills payable;
- Brazil Business Unit (901 million euros); the decrease on December 31, 2021 is connected with the partial payment of payables connected with the November 2021 purchase of 5G licenses.

At December 31, 2022, trade payables due beyond 12 months totaled 59 million euros (73 million euros at December 31, 2021) and are mainly represented by payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses, also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

Tax payables amounted to 216 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (102 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax

authorities for tax payables withheld as withholding agent (68 million euros), the VAT payable (25 million euros) and the amount payable for the government concession tax (4 million euros).

Miscellaneous payables include:

- the current debt position towards INPS in view of the application of the agreements signed with the trade unions regarding the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015;
- the debt position of the Brazil Business Unit connected with the contractual obligations linked to the acquisition of the mobile assets of the Oi Group (134 million euros). Further details are provided in the Note “Disputes and pending legal actions, other information, commitments and guarantees”.

Also note that on September 30, 2022, TIM S.p.A. paid the fifth and final installment, of 1,738 million euros, out of the total of 2,399 million euros due in fulfillment of the undertakings made by the Company following the award of the rights to use mobile frequency bandwidths pursuant to the “5G Auction” held in 2018 by the Ministry for Economic Development.

Other current liabilities amounted to 935 million euros at December 31, 2022 (851 million euros at December 31, 2021). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 840 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers, generally with a maturity of up to 12 months, are shown below; therefore, the figure at December 31, 2022 will be substantially reversed by December 31, 2023.

In particular:

- **contract liabilities** amounting to 9 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized. The decrease recognized in the year 2022 (-2 million euros) was mainly linked to the presence of commercial offers that no longer require a fixed duration and the reversal to the income statement of the balance previously accumulated;
- **customer-related items**, equal to 430 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription fees charged in advance;
- **progress payments and advances** equal to 56 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **deferred revenues from customer contracts**, equal to 345 million euros essentially include:
 - Parent Company deferred revenues for rent and maintenance fees (193 million euros);
 - Parent Company deferred revenues for interconnection fees (111 million euros);
 - Parent Company deferred revenues on activation and installation of new contracts with customers (4 million euros).
- **Other deferred revenue and income** amounted to 59 million euros. These refer mainly to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Other**, amounting to 36 million euros. They mainly refer to the Parent Company and relate to payables for advances on work in progress on networks.

NOTE 25

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2022, as well as those that came to an end during the period.

The TIM Group has posted liabilities totaling 279 million euros for those disputes described below where the risk of losing the case has been considered probable.

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

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

a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2022, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 18.2 billion reais (16.3 billion reais at December 31, 2021), corresponding to approximately 3.3 billion euros at the end of 2022. The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.3 billion reais (3.1 billion reais at December 31, 2021).

State taxes

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

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular, now incorporated into TIM S.A., on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance;
- challenges of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States;
- challenges of ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups.

Overall, the risk for these cases, considered to be possible, amounts to 9.6 billion reais (8.8 billion reais at December 31, 2021).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.6 billion reais (around 1.2 billion reais at December 31, 2021).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 3.7 billion reais (3.2 billion reais at December 31, 2021).

Golden Power Case

In August 2017 the Prime Minister's office brought proceedings against TIM (as well as Vivendi) in order to verify the fact that TIM has an obligation to notify, pursuant to the "Golden Power" law, Vivendi's acquisition of corporate control of TIM and the strategic assets it holds. In September 2017, the proceedings in question concluded by affirming that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders' Meeting that renewed TIM's corporate boards).

As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of the financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR): (i) accepted TIM's request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the "Golden Power" law). This surety was renewed in November 2022.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM's appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible. Following the hearing in chambers held on October 11, 2022, on January 24, 2023, the order was published whereby the Court of Cassation declared that Consob's petition was unacceptable, consequently ordering it to pay the dispute expenses.

Antitrust Case A428

At the conclusion of case A428, in May 2013, AGCM (the Italian Competition Authority) imposed two administrative fines of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM), and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgment no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM (the Italian Competition Authority) ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM's final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new Ultrabroadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM (the Italian Competition Authority) decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and the Authority communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel. With judgments 311 and 312/23 respectively of January 11, 2023, the regional administrative court rejected the appeals lodged by KPNQWest and CloudItalia.

Colt Technology Services - A428

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations. The case is currently reserved for decision.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.) - A428

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

Teleunit

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

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

In its judgment of May 2017, the Milan Court rejected Teleunit's claim in its entirety, and ordered the company to pay the legal costs of the case. This judgment was appealed by Teleunit, in June 2017, before the Milan Court of Appeal. TIM filed an appeal challenging the arguments presented by the other party and asking that the judgment in the first instance be fully confirmed. With an order in March 2018 the Milan Court of Appeal declared Teleunit's appeal pursuant to art. 348-bis of the Italian Code of Civil Procedure to be manifestly without foundation, and hence inadmissible. In May 2018 Teleunit appealed the judgment of the Court of Appeal to the Court of Cassation. TIM lodged a counter-appeal seeking confirmation in full of the order being appealed (and thus of the judgment at first instance). The hearing was held in chambers on September 22, 2022. By order published on October 19, 2022, the Court of Cassation declared the petition lodged by Teleunit Ltd inadmissible, ordering it to pay the costs of the dispute to TIM.

Eutelia and Clouditalia Telecomunicazioni - A428

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009–2012, following the technical boycott and margin squeeze conduct, subject of the AGCM A428 procedure. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings. On April 1, 2022, AGCM (the Italian Competition Authority) deposited the opinion envisaged by Art. 14, third subsection of Italian Legislative Decree 3/2017, whereby it: (i) proposed certain benchmarks for use to define the counterfactual scenario on which basis to quantify the damages allegedly suffered by Eutelia and Clouditalia; (ii) provided some additional indication and criteria to estimate the various damage items demanded by Eutelia and Clouditalia. At the hearing held on June 15, 2022, the Investigating Judge assigned time to the parties until July 8, 2022, by which to deposit written notes on the implications of the opinion of the AGCM (the Italian Competition Authority) and the contents of any queries to be raised with the court appointed expert. On October 24, the judge lifted the reservation and ordered an expert report on the *an* of TIM's conduct and the *quantum* of any damages suffered by Eutelia and Irideos as a result of such. On November 15, 2022, the court-appointed expert witness was sworn in. The public hearing for the examination of the court-appointed expert witness has been scheduled for October 18, 2023.

Antitrust Case A514

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

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness

of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

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

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

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

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

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

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

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

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in Ultrabroadband network infrastructure. The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision.

In May 2021, the Company in any case paid the fine.

TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment 1963/2022 of February 28, 2022, TIM's appeal was rejected; TIM has appealed to the Council of State against the decision of the regional administrative court.

In August 2022, Irideos notified a deed of intervention *ad opponendum* with respect to TIM's principal appeal.

The related hearing for oral discussion is scheduled for May 25, 2023.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF, without, however, quantifying such. During the course of proceedings, Open Fiber redetermined the damage allegedly suffered, taking it to 2.6 billion euros plus interest and monetary revaluation. Open Fiber has also clarified that it believes such damages are still to be suffered. Enel then quantified the damages allegedly suffered as approximately 228 million euros, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate.

Irideos

In January 2022, Irideos summonsed TIM to the Court of Rome, making a claim for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded proc. A514 ("follow-on claim"). The compensation claim comes to 23,204,079.87 euros for damages caused by the anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the market for services of wholesale access to the Broadband and Ultrabroadband fixed network (the "wholesale market") and on the market for retail telecommunications services on the Broadband and Ultrabroadband fixed network (the "retail market"). TIM filed an appearance, contesting the opposing party's arguments. At the hearing held on June 1, 2022, the investigating judge (i) assigned the parties time for depositing the briefs with terms running from February 15, 2023 and (ii) deferred the case to the hearing of June 7, 2023.

Antitrust Case I799

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

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

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

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

Open Fiber S.p.A. also asked for the precautionary suspension of the order. In a ruling of March 2020, the Regional Administrative Court rejected in full the appeal by Open Fiber.

The hearing for discussion of the merits of Wind Tre's appeal was held on October 12, 2022 and the Regional Administrative Court published the judge's extinguishing order on October 23. The judgment has therefore been settled.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers is scheduled for February 16, 2023.

28 day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. In February 2021, TIM deposited the written observations on the requests for prejudicial judgment with the EUCJ. On the request of the EUCJ, the Council of State, by order published on November 23, 2021, confirmed the referral to the Court of Justice on the prejudicial matters raised; on December 15, 2022, the conclusions were submitted of the general attorney and we are now awaiting the decision of the EUCJ; the case before the Council of State is therefore currently on hold.

With its Resolution 499/17/CONS, having confirmed the breach of Resolution 121/17/CONS, AGCom fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles.

In March 2018 with resolution no. 112/18/CONS AGCom (i) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle, (ii) cautioned TIM, with regard to fixed-line voice services only, against postponing the starting date of invoices issued after the return to monthly invoicing by the same number of days as those presumably deducted starting from June 23, 2017 with the four-weekly invoicing cycle.

Under Presidential Decree 9/18/PRES, AGCom amended the provisions of Decision 112/18/CONS requiring the deferment of billing once the billing cycle was restored to monthly intervals, or multiples thereof, while also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main consumer protection associations.

In July 2018, AGCom issued resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators had to return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. TIM has appealed all of the above resolutions.

With the judgment published in November 2018, the Regional Administrative Court (TAR) canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of *restitutio in integrum* to the fixed-line customers by December 31, 2018, the grounds for the judgment were instead published on May 10, 2019. The Council of State has deferred discussion of the case to November 10, 2023, awaiting the decision of the EU Court on the Community compatibility of the power exercised by AGCom to impose a billing period of no less than a month.

In September 2019, TIM also challenged resolution 221/19/CONS, before the Regional Administrative Court (TAR), with which the sanction pursuant to Resolution 499/17/CONS, canceled by the Regional Administrative Court of Lazio, was recalculated to the amount of 580,000.00 euros, with the maximum fine provided for by Art. 98, subsection 16 of the CCE in force at the time of the events applied. We are waiting for a date to be fixed for the discussion hearing.

In August 2019, AGCom initiated new proceedings (CONT 12/19/DTC) for failure to comply with the order to refund the days eroded by billing every 28 days for fixed network and convergent customers, according to the procedures established with resolutions nos. 112/18/CONS and 269/18/CONS. On conclusion of these proceedings, by means of Resolution 75/20/CONS, the Authority found that TIM did not comply with the above resolutions, imposing a fine of 3 million euros. The measure was challenged by TIM before the TAR in July 2020. We are waiting for a date to be fixed for the discussion hearing.

Moreover, since June 2019, TIM has offered its fixed network customers, active prior to March 31, 2018 and subject to billing every 28 days, the possibility of accepting a compensatory solution, an alternative to refunding the eroded days pursuant to AGCom resolution no. 269/18/CONS and from September 2019 it has been accepting requests for reimbursement of eroded days. In both cases, TIM informed customers with several messages in the bill, on the web in the main newspapers. The initiatives just described were communicated to AGCom as part of the aforementioned penalty proceedings.

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on June 4, 2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 terdecies of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of prices paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators will need to comply with Resolution no. 121/17/CONS. TIM has appealed the judgment of the Court of Milan, at the same time filing a request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM's request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver. By judgment published on December 9, 2022, the Milan Court of Appeal confirmed the first instance judgment in full. On January 12, 2023, TIM notified the appeal to the Court of Cassation and on January 16, 2023 it also filed the appeal pursuant to Art. 373 of the Italian Code of Civil Procedure with the Milan Court of Appeal, asking that enforcement of the ruling be suspended until the judgment pending before the Court of Cassation had been settled.

By order of February 14, 2023, the Milan Court of Appeal, in partially upholding TIM's appeal, ordered suspension of the judgment in connection with the order to send the recorded delivery letters to former customers, whilst awaiting the decision of the Supreme Court.

Antitrust Case I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFUE.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure.

On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM (the Italian Competition Authority) confirmed the existence of the agreement between Telecom, Vodafone, Fastweb, Wind Tre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. In April 2020, TIM also challenged the sanction order.

In a ruling published on July 12, 2021, the Lazio Regional Administrative Court upheld the petition and the grounds added and submitted by TIM, canceling the measures taken by AGCM (the Italian Competition Authority), including that relating to the existence of the agreement and application of the sanction.

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court; following the hearing for discussion held on January 26, 2023, we are currently awaiting decision.

Antitrust Case I850

By decision given on December 15, 2020, AGCM (the Italian Competition Authority) started an investigation in regard to the company Telecom Italia S.p.A., Fastweb S.p.A., Teemo Bidco S.r.l., FiberCop S.p.A., Tiscali Italia S.p.A. and KKR & Co. Inc., to ascertain the existence of any breaches of article 101 of the TFEU in relation to the coinvestment offer.

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority) intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country's fixed telecommunications infrastructures.

On August 6, 2021, TIM submitted a proposal of undertakings to AGCM (the Italian Competition Authority) in order to resolve the competition concerns subject of the investigation and close the proceedings without any sanction being applied.

On September 7, 2021, AGCM (the Italian Competition Authority) judged these commitments to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM in respect of the relevant commitments.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM (the Italian Competition Authority) finally resolved to approve the commitments insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated.

As envisaged by the final ruling, on April 22, 2022, TIM sent AGCM a first report on the measures taken to fulfill the commitments made.

On May 11, 2022, AGCM notified TIM of its acknowledgment of the measures presented in such report.

On January 31, 2023 TIM sent AGCM (the Italian Competition Authority) a second report on the implementation of the undertakings given.

By petition notified in April 2022. Open Fiber has challenged the above AGCM provision no. 3002, whereby the proceedings were closed, before the regional administrative court of Lazio; the petitioner believes that the commitments, made mandatory by the closure, are not sufficient to remove the anticompetitive aspects identified at the start of proceedings.

Upon completion of the interim hearing of last June 1, the regional administrative court rejected the request and scheduled the merits hearing for January 25, 2023. At the January 26 hearing, after extensive discussion, the judge reserved the right to deliberate.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of content transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the publication on the AGCM website, market testing began.

The deadline for rebuttal arguments and proposing any accessory amendments to the commitments presented by TIM and DAZN is scheduled for March 7.

On February 23, 2022, TIM and DAZN were convened separately to the AGCM offices. During the hearing, the Offices informed TIM - and thereafter confirmed this in the hearing meetings - that in a hearing held on February 15, the Board deemed it necessary to make certain "accessory" changes in order to approve the commitments submitted.

On March 4, 2022, TIM and DAZN requested an extension of the deadline for the submission of observations, also in view of the new aspects that had emerged on February 23. The new deadline was set as March 23.

On March 22, 2022, TIM informed the Authority that the additional changes considered necessary by the Board to approve the commitments would have entailed a complete overhaul of the contents and economic balance of the agreements signed by TIM and DAZN, such as to make it no longer possible to pursue the hypothesized business model. At the same time, TIM informed the Authority of the start of negotiations with DAZN possibly concerning the revision of the distribution exclusivity clause, which was the main object of the Authority's investigation. Considering the complexity of negotiations, TIM requested an extension of another 30 days for submission of observations. The extension was authorized and the new deadline set as April 23.

On April 20, 2022, in consideration of the extension of negotiations, also due to the complexity and economic relevance of that being negotiated, DAZN and TIM requested an additional extension. The new deadline was set as May 9.

On May 9, 2022, TIM informed the Authority that it had declared willing to DAZN to waive the exclusivity of the distribution of Serie A football rights, as currently regulated by the Deal Memo, with DAZN consequently having the faculty to distribute such rights also through third party operators and that, in exchange for the willingness to waive this right, the Parties had begun negotiations for a review of the contracted economic commitment envisaged by TIM.

On June 7, 2022, the Authority ruled on the rejection of the commitments submitted, which "would appear, both where considered comprehensively and individually, to be unable to eliminate the anticompetitive aspects identified in the resolution that started the proceedings, insofar as they do not resolve the competition concerns highlighted in the initial proceedings, where not translated into shared contractual amendments such as to eliminate the critical competition issues" highlighted by the Authority.

Again on June 7, 2022, the Authority ruled on the deferral of the deadline for the conclusion of proceedings to March 31, 2023.

On August 2, 2022, TIM informed the Antitrust Authority that it had reached a new agreement with DAZN, under which the latter has the faculty to distribute football rights through any third party, surpassing the previous system of exclusivity in TIM's favor.

On January 20, 2023, notification was given of the investigation results (CRI).

AGCM (the Italian Competition Authority) believes that the agreement reached on January 27, 2021 (the "Deal Memo") had contents and resulted in effects that reduced competition for its entire duration (and therefore until stipulation of the new agreement on August 3, 2022).

On January 31, 2023, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until May 31, 2023.

TIM will be able to submit its defense brief by March 28, while the final hearing before the authority has been scheduled for April 4, 2023.

Antitrust Case A556

On November 30, 2022, AGCM (the Italian Competition Authority) started proceedings against TIM in order to verify the existence of an abuse of a dominant position in breach of Art. 3 of Law no. 287/90.

The proceedings stem from a report made by Fastweb concerning TIM's refusal to grant Fastweb its radio mobile signal coverage maps that had been requested in order to take part in the "Open tender for mobile telephone services for public authorities - Edition 9 - Sigef ID 2452" (Consip TM9 tender).

The authority simultaneously also launched precautionary sub-proceedings in accordance with Article 14-bis of Law No. 287/1990, aiming to verifying the existence of precautionary measures aiming to protect competition.

On December 20, 2022, the authority resolved that there were no grounds on which to take precautionary measures, in accordance with Art. 14-bis of Law no. 287/90 and thus closed the precautionary sub-proceedings, rejecting Fastweb's appeal.

Completion of the main proceedings has instead been scheduled for the coming December 1, 2023.

Antitrust Case PS 10888 "TIM Passepartout"

On June 15, 2021, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice concerning the lack of transparency of the information provided by the TIM Passepartout payment management platform and alleged activations of services not requested. Although firmly convinced of the lawful nature of its conduct, on July 29, 2021, TIM chose to submit undertakings with corrective measures. The undertakings submitted consist of improving information aspects noted as falling short of expectations of the TIM Passepartout platform (only operative for customer base offers) and in implementing a communication campaign aimed at making contact with customers not acknowledging charges for services not requested, to see if conditions are met for refund. The Authority has accepted the commitments made by TIM hence the proceedings have now concluded without any assessment of the alleged unfair conduct and application of the sanction.

Antitrust Case PS 12231 "TIM fixed offers" (Premium, Executive, Magnifica)

On December 22, 2021, AGCM (the Italian Competition Authority) started proceedings against TIM for unfair commercial practices reported by Iliad S.p.A. concerning the alleged failure to provide information on the consumption of the voice component of the Premium and Executive fixed offers and technical limits correlated

with the method being tried out of the Magnifica fixed offer. Although convinced that its conduct was correct, on February 23, 2022, TIM submitted undertakings, implemented since March 2022, that overcame the technical limits disputed for the Magnifica offer on trial, improved transparency of information on the consumption components of the Premium and Executive offers and defined a communication campaign focused on customers not acknowledging charges for consumption in the voice component, so as to assess whether or not conditions are met for refund. The Authority has rejected the commitments but considered that the measures implemented by TIM were able to cease the conduct disputed. On November 2, 2022, the authority resolved to conclude the proceedings, fining TIM 1 million euros.

Antitrust Case PS 12304 “Anomalous billing”

On April 28, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice, challenging alleged undue billing following a request to terminate the line, including cases of switch to another operator, with reference to fixed and mobile telephony. Although convinced of the diligence of its conduct, TIM has decided to implement a series of measures to make the procedures for terminating contract, and, therefore, the related billing, even more efficient and transparent. The completion of the proceedings was postponed until March 24, 2023. Similar proceedings have been brought by the authority against the main communication operators.

Antitrust Case PS 12384 “Additional giga”

On August 5, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice reported by various consumers, challenging the alleged incorrect application of art. 65 of Italian Legislative Decree no. 206 of September 6, 2005 for an alleged additional service (giga) present in the mobile maneuver offer with effect from September 1, 2022. At the same time as the tariff remodulation maneuver, TIM also gave the consumer the option of choosing to keep the pre-existing offer, also in compliance with the guidance given by the Council of State (Judgment no. 8024/2019). On March 3, 2023, the authority resolved to conclude the proceedings, fining TIM 2.1 million euros.

Universal Service

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999–2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCOM for the analysis of iniquity second facie. Fastweb, Vodafone, Wind, AGCom and TIM have appealed to the Council of State against the judgment of the regional administrative court and the related hearings of the merits have been scheduled for April 4 and 27, 2023.

Dispute relating to “Adjustments on license fees” for the years 1994–1998

With regard to the judgments sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994–1998 (for a total of 113 million euros), the Lazio Regional Administrative Court (TAR) rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee. As the Ministry of Economic Development has not followed up on TIM's requests aimed at obtaining fulfillment

of the judgment, TIM has submitted a further petition to the Council of State for failure to execute the judgment, but with judgment given in April 2022, the request for compliance brought by TIM was rejected. TIM has appealed for revocation of this judgment to the Council of State; the hearing has been scheduled for March 23, 2023.

With two further judgments the Lazio Regional Administrative Court (TAR), reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgments. By judgment published in April 2022, the Council of State stressed the principles already set for 1994, namely that receivables that have become uncollectable for reasons not the fault of the operator, correctly handled in the accounts, on the financial statements and in terms of tax, can be deducted from the tax base for calculating the concession fee.

With reference to the 1998 fee adjustment (equal to about 41 million euros), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, *inter alia*, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, *inter alia*, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the PA to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court.

Poste

There are some pending disputes brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgments issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a 2009 judgment of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgment by the same Court declared void one of the disputed contracts. After this judgment, Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgment of the Supreme Court for amendment of the above judgment is still pending.

After the 2012 judgment of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgment was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal.

Elinet S.p.A. Bankruptcy

In 2014, the receiver of Elinet S.p.A., and subsequently the receivers of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the receivers of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of direction and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against. The Court has scheduled the hearing in chambers for February 3, 2023.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, *inter alia*, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the “2016 Arbitration Award”).

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC’s International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the “2020 Arbitration Award”). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award. Thereafter, the Opportunity Group, TIM and Telecom Italia Finance filed their briefs in the two proceedings pending before the Paris Court of Appeal, respectively against the 2016 Award and the 2020 Award. The Court of Appeal has scheduled the hearing for discussion of both proceedings for June 5, 2023.

Iliad

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. Following the hearing for the specification of the parties’ pleadings, held with written discussion, the court deferred the hearing for decision, assigning deadlines for submitting the closing arguments and statements of defense.

Iliad

By writ of summons notified in September 2021, Iliad Italia S.p.A. summonsed TIM before the Court of Milan for the alleged application to customers of unlawful contractual conditions in terms of time limits and economic costs for withdrawal with reference to mobile and fixed telephone offers, with a consequent petition to order TIM to compensate damages, currently quantified as 120.4 million euros. On February 1, 2022, the first hearing was held and the terms assigned for the briefs pursuant to article 183, subsection VI of the Italian Code of Civil Procedure. The hearing for discussion of the evidence has been postponed to April 5, 2023.

T-Power

By writ of summons notified in December 2021, T-Power s.r.l., former agent for the consumer sector, summonsed TIM before the Court of Rome to have the right acknowledged to receive payment of a total maximum amount of approximately 85 million euros by way of commission, compensation in lieu of notice and termination of employment, as well as compensation for damages. The disputed ended in December 2022 with a settlement.

Fastweb (Ethernet ATM migration)

By writ of summons notified in December 2021, TIM summonsed Fastweb before the Court of Milan, asking that it be ascertained and declared that Fastweb had not achieved the minimum objectives of migration from ATM bitstream technology to Ethernet bitstream technology in any of the 30 Collection Areas into which the national territory is divided by the deadline envisaged by industry regulation and the migration plan agreed by the parties; and therefore that it ascertain and declare that Telecom is entitled to: (a) reverse the economic benefits relating to this migration granted retroactively from 4/12/2016 to Fastweb and (b) obtain from Fastweb the prices for the ATM bandwidth envisaged by the contract stipulated by the parties and the current OR in force *ratione temporis*; (c) therefore declare and order Fastweb to pay Telecom the total amount of 79,240,329.47 euros (or other amount, potentially greater, as may be assessed during the course of proceedings).

Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract. Fastweb’s application is essentially based on alleged delays in the development of Ethernet coverage. The counterparty complains of damages of around 81.4 million euros. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing is scheduled for December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023.

Wind Tre (INWIT)

By writ of summons notified in July 2022, Wind Tre summonsed TIM, INWIT and Vodafone to trial before the Court of Milan, asking that it ascertain the obstructive conduct of INWIT, seeking to prevent Wind Tre from upgrading the devices of its mobile network currently located at INWIT sites on the basis of the hosting contracts currently in force inter partes. Such conduct would constitute breach of contract and unlawful exploitation of the dominant position in accordance with Art. 3 of the Antitrust Law as well as unfair competition by third party also perpetrated in the form of secondary boycotting by INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A.. The opposing party asks the Court to ascertain and declare INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A. jointly liable to compensate the damages suffered by Wind Tre as a result of such unlawful acts, to be quantified as 50 million euros. The first hearing is scheduled for March 1, 2023. On January 9, 2023, Wind Tre withdrew the appeal against INWIT, Vodafone and TIM and the proceedings were extinguished.

Iliad (INWIT)

By writ of summons notified in July 2022, Iliad Italia S.p.A. summonsed Telecom, Vodafone and Infrastrutture Wireless Italiane S.p.A. ("INWIT") before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. As a result of this conduct, Iliad has asked that Telecom be ordered, together with INWIT and Vodafone, to compensate the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The first hearing is scheduled for February 28, 2023.

b) Other information

Mobile telephony - criminal proceedings

In March 2012 TIM was served notice of the conclusion of the preliminary inquiries, which showed that the Company was being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree n. 231/2001, for the offenses of handling stolen goods and counterfeiting committed, according to the alleged allegations, by fourteen employees of the so-called "ethnic channel", with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from TIM.

The Company, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defense, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against the Company be brought against the other defendants. In December 2012, the Public Prosecutor's Office filed a request for 89 defendants and the Company itself to be committed for trial.

During the preliminary hearing, the Company was admitted as civil party to the trial and, in November 2013, the conclusions in the interest of the civil party were filed, reaffirming TIM's total lack of involvement in the offenses claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses (quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

The Public Prosecutor appealed the acquittal and appealed to the Court of Cassation "per saltum". In January 2019, the Italian Supreme Court of Cassation agreed to the appeal and therefore ordered that the documents of the proceedings be sent to the Milan Court of Appeal.

The proceedings were assigned to Chambers IV of the Milan Court of Appeal and started in May 2022; they concluded in October.

Upon completion of the phase, the Court of Appeal confirmed the judgment challenged, repeating the acquittal of TIM and dismissing the requests for sentencing of the General Prosecutor's Office in regard to the Company.

The Court also set a deadline of 15 days for filing the grounds.

Dispute concerning the license fees for 1998

TIM has summoned the Prime Minister's Office to appear in a civil suit for compensation for damages caused by the Italian State through appeal ruling 7506/09, handed down by the Council of State in breach, in the view of the Company, of Community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgment that has become definitive, in respect of which no other remedy may be applied. The judgment of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgment concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The

Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgment in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of the aforementioned analyzes aimed at reaching a definition of the appeal sentence, it should be pointed out that on January 25, 2021 the Company filed a request with the Rome Court of Appeal to bring forward the hearing (postponed, as mentioned, to January 25, 2022) in order to avoid yet another postponement of the case, which, as we know, concerns the non-compliance with two inter partes decisions, on the same matter, by the Court of Justice of the European Union for a clear violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies. By order of 2/22/2022, having acknowledged that one of its members had chosen to abstain, the Board re-submitted the case, arranging for the deeds to be sent onto the President of the Court of Appeal. On March 4, 2022, the case was reassigned to another judge. By judgment of March 31, 2022, the Board scheduled the hearing for December 1, 2022 for closing arguments. The Board has deferred the case to the hearing of January 19, 2023 for verbal discussion. Following the request made by the State advocacy, the case was deferred to the hearing of March 9, 2023.

TIM S.A. - Arbitration proceedings no. 28/2021/SEC8

In March 2020, TIM S.A. concluded negotiations with C6 and, in April 2020, launched exclusive offers for TIM customers who had opened C6 bank accounts and used their services. As compensation for this contract, TIM S.A. receives commission for each account activated, as well as the option of obtaining an investment in the bank upon achieving certain targets connected to the number of active accounts.

The number of shares received for each target achieved varies throughout the contract term, with the initial percentages being more advantageous for TIM due to the greater effort required for a new digital company to take off.

Even with the project's success, differences between the partners resulted in the initiation of arbitration proceedings in 2021.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce, by TIM S.A. against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. through which the interpretation will be discussed of certain clauses of the contracts governing the partnership. In the event of losing, the partnership may be dissolved.

TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group mobile telephone assets

On September 19, 2022, TIM S.A., the Brazilian subsidiary of the TIM Group, reported that the Buyers (TIM S.A., Telefônica Brasil S.A. and Claro S.A.) of the mobile telephone assets of Oi Móvel S.A. (the "Seller") had identified differences in the assumptions and calculation criteria, that, under the Share Purchase Agreement and Other Covenants ("SPA") justified proposing an amendment of the Adjusted Closing Price ("ACP") by TIM of approximately 1.4 billion reais. In addition to differences relating to the Adjusted Closing Price, others have also been identified relating to the contracts of Cozani (the company into which TIM S.A.'s share of the assets, rights and obligations of the Oi Móvel mobile telephone business, flowed) with companies supplying mobile infrastructure services (site/tower rental), which, under the terms of the SPA, give rise to indemnity by the Seller in TIM S.A.'s favor, of approximately 231 million reais. As a result of the differences found, TIM S.A. retained an amount of 634 million reais (671 million reais at December 31, 2022).

On October 3, 2022, considering the Seller's express violation of the dispute resolution mechanisms provided for in the SPA, TIM S.A. communicated that the Buyers had no other alternative but to file an arbitration procedure with the Market Arbitration Chamber (Câmara de Arbitragem do Mercado) of B3 S.A. - Brasil, Bolsa, Balcão against the Seller to determine the effective amount of the adjustment to the Adjusted Closing Price, in accordance with the SPA.

On October 4, 2022, TIM S.A. was surprised by news published by the press and by a Material Fact released by the Seller that a preliminary decision had been handed down by the 7th Business Court of the Judicial District of Rio de Janeiro determining the deposit in court by the Buyers of approximately 1.53 billion reais - of which approximately 670 million reais by TIM S.A. - in an account linked to the court-ordered reorganization process of Oi, where it will be safeguarded until a later decision by the arbitration court. Said deposit has already been made, remaining in an account linked to the Court pending the installation of the Court of Arbitration.

TIM S.A. has appealed against the decision and on October 17, 2022, the Superior Court of Justice, by monocratic judgment, rejected TIM S.A.'s appeal and that of the other Buyers. Therefore, on October 19, 2022, TIM S.A. paid the 7th Business Court of the Judicial District of Rio de Janeiro, the amount of 670 million reais by way of guarantee.



Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.

To cover such contingent liabilities, amounting to a total of around 250 million euros, provisions totaling approximately 9 million euros have been allocated solely for those cases for which payment is considered likely.

Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has commitments to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

C) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 33 million euros.

The guarantees provided by third parties to Group companies, amounting to 6,231 million euros, related to guarantees provided by banks and financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the insurance guarantees, which totaled 1,632 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,026 million euros, including 973 million euros for TIM S.p.A. and 53 million euros for Group companies.

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the

preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the “Golden Power” law).

There are also surety bonds on the telecommunication services in Brazil for 684 million euros.

d) Assets guaranteeing financial liabilities

The special rate loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM S.A. for a total value of 125 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the income which transits on the bank accounts of the company.

NOTE 26 REVENUES

This item rose by 472 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Equipment sales	1,188	1,411
Services	14,600	13,905
Total	15,788	15,316

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,205 million euros (1,264 million euros in 2021), included in Costs of services.

Revenues from services in 2022 include revenues for voice and data services on fixed and mobile networks for Retail customers for 7,919 million euros and for other Wholesale operators for 2,686 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note “Segment Reporting”.

NOTE 27 OTHER INCOME

This item decreased by 59 million euros compared to 2021. The breakdown is as follows:

(million euros)	2022	2021
Late payment fees charged for telephone services	39	39
Recovery of employee benefit expenses, purchases and services rendered	13	12
Capital and operating grants	38	28
Damages, penalties and recoveries connected with litigation	37	27
Estimate revisions and other adjustments	68	71
Income for special training activities	1	67
Other	17	28
Total	213	272

NOTE 28

ACQUISITION OF GOODS AND SERVICES

This item rose by 689 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Purchase of raw materials and goods	(a) 1,164	1,266
Costs of services:		
Revenues due to other TLC operators	1,205	1,264
Costs for telecommunications network access services	130	119
Commissions, sales commissions and other selling expenses	1,263	974
Advertising and promotion expenses	235	212
Professional and consulting services	311	253
Utilities	507	434
Maintenance costs	518	291
Outsourcing costs for other services	406	378
Mailing and delivery expenses for telephone bills, directories and other materials to customers	37	38
Other service expenses	665	718
	(b) 5,277	4,681
Lease and rental costs:		
Rent and leases	83	51
TLC circuit subscription charges	189	96
Other lease and rental costs	526	456
	(c) 798	603
Total	(a+b+c) 7,239	6,550

In 2022, lease and rental costs included around 12 million euros in short-term lease payments of modest value (approximately 11 million euros in 2021).

NOTE 29

EMPLOYEE BENEFITS EXPENSES

This item rose by 239 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Ordinary employee expenses		
Wages and salaries	1,812	1,794
Social security expenses	658	651
Other employee benefits	153	148
	(a) 2,623	2,593
Costs and provisions for agency contract work	(b) 1	—
Miscellaneous expenses for employees and other labor-related services rendered		
Charges for termination benefit incentives	222	8
Corporate restructuring expenses	329	336
Other	5	4
	(c) 556	348
Total	(a+b+c) 3,180	2,941

Employee benefits expenses mainly related to the Domestic Business Unit for 2,868 million euros (2,703 million euros in 2021) and to the Brazil Business Unit for 311 million euros (237 million euros in 2021).

“Charges for termination benefit incentives” and “Corporate restructuring expenses” totaled 551 million euros (344 million euros in 2021) and are mainly linked to outgoing managerial and non-managerial staff, envisaged according to the application of art. 4 of Law no. 92 of June 28, 2012 and former art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015, as per the agreements signed, during the year, with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit.

The average salaried workforce, including agency contract workers, stood at 45,912 employees in 2022 (47,942 in 2021). A breakdown by category is as follows:

(number of units)	2022	2021
Executives	589	612
Middle Managers	4,090	4,154
White collars	41,059	43,110
Blue collars	159	54
Employees on payroll	45,897	47,930
Agency contract workers	15	12
Total average salaried workforce	45,912	47,942

The headcount at December 31, 2022, including agency contract workers, stood at 50,392 employees (51,929 at December 31, 2021), showing a decrease of 1,537 employees.

NOTE 30

OTHER OPERATING EXPENSES

These decreased by 686 million euros compared to 2021. The breakdown is as follows:

(million euros)	2022	2021
Write-downs and expenses in connection with credit management	236	305
Provision charges	129	704
TLC operating fees and charges	243	189
Indirect duties and taxes	104	99
Penalties, settlement compensation and administrative fines	25	127
Subscription dues and fees, donations, scholarships and traineeships	13	12
Other	66	66
Total	816	1,502
<i>of which, included in the supplementary disclosure on financial instruments</i>	236	305

The non-recurring items of 2022 amounted to 77 million euros, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities. It includes, in particular, a provision made by TIM S.p.A. 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.

In 2021, the non-recurring items amounted to 735 million euros and mainly referred to provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 emergency for provisions made as a consequence of the worsening of the expected credit losses of Corporate customers, connected with the expected evolution of the pandemic. Provision charges included 548 million euros for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to certain contracts for the offer of multimedia content connected with the partnerships currently in place.

For more details, see the Note on "Provisions for risks and charges".

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 31

INTERNALLY GENERATED ASSETS

This item rose by 84 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Intangible assets with a finite useful life	244	216
Tangible assets	315	259
Total	559	475

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 32

DEPRECIATION AND AMORTIZATION

These increased by 287 million euros compared to 2021. The breakdown is as follows:

(million euros)	2022	2021
Amortization of intangible assets with a finite useful life		
Industrial patents and intellectual property rights	1,069	1,043
Concessions, licenses, trademarks and similar rights	442	466
Other intangible assets	6	2
(a)	1,517	1,511
Depreciation of tangible assets owned		
Buildings (civil and industrial)	37	35
Plant and equipment	2,145	2,095
Manufacturing and distribution equipment	8	9
Other	158	145
(b)	2,348	2,284
Amortization of rights of use assets		
Property	398	343
Plant and equipment	474	314
Other tangible assets	38	37
Intangible assets	2	1
(c)	912	695
Total	(a+b+c) 4,777	4,490

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 33

GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)	2022	2021
Gains on disposals of non-current assets:		
Gains on the retirement/disposal of intangible, tangible and user rights on rental	50	15
(a)	50	15
Losses on disposals of non-current assets:		
Losses on the retirement/disposal of intangible, tangible and user rights on rental	14	14
(b)	14	14
Total	(a-b) 36	1

NOTE 34

IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)	2022	2021
Impairment reversals on non-current assets:		
on intangible assets	—	—
on tangible assets	—	—
(a)	—	—
Impairment losses on non-current assets:		
on intangible assets	—	4,120
on tangible assets	—	—
(b)	—	4,120
Total	(a-b)	(4,120)

The net impairment losses on non-current assets were null in 2022.

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 amounted to 4,120 million euros and related to the Goodwill impairment loss attributed to the Domestic Cash Generating Unit.

Further details are provided in the Note "Goodwill".

NOTE 35

OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2022	2021
Dividends from Other investments	2	1
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	206	119
Sundry income (expense)	(2)	6
Total	206	126
<i>of which, included in the supplementary disclosure on financial instruments</i>	<i>2</i>	<i>3</i>

In 2022, the item mainly included:

- 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 2021, the item mainly included the net capital gain consequent to the dilution from 100% to 49% of the investment held in the Brazilian company I-Systems S.A. (119 million euros).

NOTE 36

FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,423 million euros (expense of 1,150 million euros in 2021) and comprises:

(million euros)	2022	2021
Finance income	1,115	1,124
Finance expenses	(2,538)	(2,274)
Net finance income (expenses)	(1,423)	(1,150)

The items break down as follows:

(million euros)	2022	2021
Interest expenses and other finance expenses:		
Interest expenses and other costs relating to bonds	(766)	(839)
Interest expenses to banks	(127)	(51)
Interest expenses to others	(51)	(24)
Finance expenses on lease liabilities	(377)	(271)
	(1,321)	(1,185)
Commissions	(70)	(61)
Other finance expenses (*)	(200)	(126)
	(270)	(187)
Interest income and other finance income:		
Interest income	122	75
Income from financial receivables, recorded in Non-current assets	3	8
Income from securities other than investments, recorded in Non-current assets	—	—
Income from securities other than investments, recorded in Current assets	23	20
Miscellaneous finance income (*)	51	39
	199	142
Total net finance interest/(expenses)	(a) (1,392)	(1,230)
Other components of finance income and expenses:		
Net exchange gains and losses	23	39
Net result from derivatives	39	117
Net fair value adjustments to fair value hedge derivatives and underlying instruments	—	(4)
Net fair value adjustments to non-hedging derivatives	(93)	(72)
Total other components of finance income and expenses	(b) (31)	80
Total net finance income (expenses)	(a+b) (1,423)	(1,150)
<i>of which, included in the supplementary disclosure on net financial instruments</i>	<i>(1,142)</i>	<i>(936)</i>

(*) of which IFRS 9 impact:

(million euros)	2022	2021
<i>Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	<i>1</i>	<i>4</i>
<i>Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	<i>(7)</i>	<i>(1)</i>
<i>Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI</i>	<i>(6)</i>	<i>3</i>
<i>Reversal of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	<i>—</i>	<i>5</i>
<i>Impairment losses on financial assets other than investments</i>	<i>—</i>	<i>—</i>

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

(million euros)	2022	2021
Foreign currency conversion gains	360	411
Exchange losses	(337)	(372)
Net exchange gains and losses	23	39
Income from fair value hedge derivatives	2	33
Charges from fair value hedge derivatives	(1)	—
Net result from fair value hedge derivatives (a)	1	33
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	426	366
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	(321)	(295)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component) (b)	105	71
Income from non-hedging derivatives	56	43
Charges from non-hedging derivatives	(123)	(30)
Net result from non-hedging derivatives (c)	(67)	13
Net result from derivatives (a+b+c)	39	117
Positive fair value adjustments to fair value hedge derivatives	—	—
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives	—	—
Net fair value adjustments (d)	—	—
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives	3	50
Negative fair value adjustments relating to fair value hedge derivatives	(3)	(54)
Net fair value adjustments (e)	—	(4)
Net fair value adjustments to fair value hedge derivatives and underlying instruments (d+e)	—	(4)
Positive fair value adjustments to non-hedging derivatives (f)	69	79
Negative fair value adjustments to non-hedging derivatives (g)	(162)	(151)
Net fair value adjustments to non-hedging derivatives (f+g)	(93)	(72)

NOTE 37

PROFIT (LOSS) FOR THE YEAR

The profit (loss) for the year can be analyzed as follows:

(million euros)	2022	2021
Profit (loss) for the year	(2,654)	(8,400)
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(2,925)	(8,652)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Non-controlling interests:		
Profit (loss) from continuing operations	271	252
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interests	271	252

NOTE 38

EARNINGS PER SHARE

	2022	2021
Basic earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	—
(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares (millions)	21,241	21,205
Basic earnings per share – Ordinary shares (euros)	(0.14)	(0.40)
Plus: additional dividends per savings share	—	—
Basic earnings per share – Savings shares (euros)	(0.14)	(0.40)
Basic earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(2,925)	(8,652)
Less: additional dividends for the savings shares	—	—
(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares (millions)	21,241	21,205
Basic earnings per share from continuing operations – Ordinary shares (euros)	(0.14)	(0.40)
Plus: additional dividends per savings share	—	—
Basic earnings per share from continuing operations – Savings shares (euros)	(0.14)	(0.40)
Basic earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Average number of ordinary and savings shares (millions)	21,241	21,205
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2022	2021
Average number of ordinary shares	15,213,524,300	15,177,486,840
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,241,315,999	21,205,278,539

	2022	2021
Diluted earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Dilution effect of stock option plans and convertible bonds (*)	—	—
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	—
(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares (millions)	21,241	21,205
Diluted earnings per share – Ordinary shares (euros)	(0.14)	(0.40)
Plus: additional dividends per savings share	—	—
Diluted earnings per share – Savings shares (euros)	(0.14)	(0.40)
Diluted earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(2,925)	(8,652)
Dilution effect of stock option plans and convertible bonds (*)	—	—
Less: additional dividends for the savings shares	—	—
(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares (millions)	21,241	21,205
Diluted earnings per share from continuing operations – Ordinary shares (euros)	(0.14)	(0.40)
Plus: additional dividends per savings share	—	—
Diluted earnings per share from continuing operations – Savings shares (euros)	(0.14)	(0.40)
Diluted earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Dilution effect of stock option plans and convertible bonds	—	—
Average number of ordinary and savings shares (millions)	21,241	21,205
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2022	2021
Average number of ordinary shares (*)	15,213,524,300	15,177,486,840
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,241,315,999	21,205,278,539

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond reimbursed on March 26, 2022. Consequently, the "Net profit (loss) for the year attributable to owners of the Parent" and the "Profit (loss) from continuing operations attributable to owners of the Parent" are also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+10 million euros in 2022; +43 million euros in 2021). As regards 2022 and 2021, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at December 31, 2022:

	Number of maximum shares issuable	Share capital (thousands of euros)	Additional paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	180,000,000			
2022-2024 Stock Options Plan	257,763,000	109,292		0.424
Total	437,763,000	109,292		

Further information is provided in the Notes "Non-current and current financial liabilities" and "Equity compensation plans".

NOTE 39

SEGMENT REPORTING

a) Segment reporting

The operating segments of the TIM Group, organized for the telecommunications business and the related geographical location are as follows:

- **Domestic:** includes the activities in Italy relating to voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop S.p.A. for the provision of passive access services on the secondary copper and fiber network, the activities of Noovle S.p.A.(Cloud and Edge Computing solutions), the activities of Olivetti (Information Technology products and services) and support structures for the Domestic sector;
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A. group);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In view of the decision-making process adopted by the TIM Group, segment reporting is presented for financial operating data.

The results of financial management, income tax expense for the year, as well as profit (loss) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Third-party revenues	11,826	12,477	3,962	2,839	—	—	—	—	15,788	15,316
Intragroup revenues	32	28	1	1	—	—	(33)	(29)	—	—
Revenues by operating segment	11,858	12,505	3,963	2,840	—	—	(33)	(29)	15,788	15,316
Other income	196	259	17	13	—	—	—	—	213	272
Total operating revenues and other income	12,054	12,764	3,980	2,853	—	—	(33)	(29)	16,001	15,588
Acquisition of goods and services	(5,697)	(5,534)	(1,562)	(1,037)	(7)	(3)	27	24	(7,239)	(6,550)
Employee benefits expenses	(2,868)	(2,703)	(311)	(237)	(1)	(1)	—	—	(3,180)	(2,941)
of which: provisions for employee severance indemnities	—	(1)	—	—	—	—	—	—	—	(1)
Other operating expenses	(444)	(1,211)	(367)	(282)	(4)	(8)	(1)	(1)	(816)	(1,502)
of which: write-downs and expenses in connection with credit management and provision charges	(226)	(896)	(139)	(113)	—	—	—	—	(365)	(1,009)
Change in inventories	16	17	6	(7)	—	—	—	—	22	10
Internally generated assets	458	397	93	72	—	—	8	6	559	475
EBITDA	3,519	3,730	1,839	1,362	(12)	(12)	1	—	5,347	5,080
Depreciation and amortization	(3,518)	(3,595)	(1,259)	(895)	—	—	—	—	(4,777)	(4,490)
Gains (losses) on disposals of non-current assets	23	(5)	13	6	—	—	—	—	36	1
Impairment reversals (losses) on non-current assets	—	(4,120)	—	—	—	—	—	—	—	(4,120)
EBIT	24	(3,990)	593	473	(12)	(12)	1	—	606	(3,529)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	35	40	(11)	(2)	—	—	(1)	—	23	38
Other income (expenses) from investments	—	—	—	—	—	—	—	—	206	126
Finance income	—	—	—	—	—	—	—	—	1,115	1,124
Finance expenses	—	—	—	—	—	—	—	—	(2,538)	(2,274)
Profit (loss) before tax from continuing operations	—	—	—	—	—	—	—	—	(588)	(4,515)
Income tax expense	—	—	—	—	—	—	—	—	(2,066)	(3,885)
Profit (loss) from continuing operations	—	—	—	—	—	—	—	—	(2,654)	(8,400)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—
Profit (Loss) for the year	—	—	—	—	—	—	—	—	(2,654)	(8,400)
Attributable to:	—	—	—	—	—	—	—	—	—	—
Owners of the Parent	—	—	—	—	—	—	—	—	(2,925)	(8,652)
Non-controlling interests	—	—	—	—	—	—	—	—	271	252

Revenues by operating segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues from equipment sales - third party	1,059	1,322	129	88	—	—	—	1	1,188	1,411
Revenues from equipment sales - intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	1,059	1,322	129	88	—	—	—	1	1,188	1,411
Revenues from services - third party	10,767	11,155	3,833	2,751	—	—	—	(1)	14,600	13,905
Revenues from services - intragroup	32	28	1	1	—	—	(33)	(29)	—	—
Total revenues from services	10,799	11,183	3,834	2,752	—	—	(33)	(30)	14,600	13,905
Total third-party revenues	11,826	12,477	3,962	2,839	—	—	—	—	15,788	15,316
Total intragroup revenues	32	28	1	1	—	—	(33)	(29)	—	—
Total revenues by operating segment	11,858	12,505	3,963	2,840	—	—	(33)	(29)	15,788	15,316

Purchase of intangible, tangible and rights of use assets by operating segment

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Purchase of intangible assets	913	1,204	215	682	—	—	—	—	1,128	1,886
Purchase of tangible assets	2,178	2,095	650	570	—	—	—	—	2,828	2,665
Purchase of rights of use assets	464	304	489	442	—	—	—	—	953	746
Total purchase of intangible, tangible and rights of use assets	3,555	3,603	1,354	1,694	—	—	—	—	4,909	5,297
<i>of which: capital expenditures</i>	<i>3,207</i>	<i>3,377</i>	<i>870</i>	<i>1,253</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>4,077</i>	<i>4,630</i>
<i>of which: increases in lease/leasing contracts for rights of use assets</i>	<i>348</i>	<i>226</i>	<i>484</i>	<i>441</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>832</i>	<i>667</i>

Headcount by Operating Segment

	Domestic		Brazil		Other Operations		Consolidated Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Headcount	40,984	42,591	9,395	9,325	13	13	50,392	51,929

Assets and liabilities by Operating Segment

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-current operating assets	40,747	40,805	7,970	5,332	1	1	2	1	48,720	46,139
Current operating assets	3,975	3,794	907	864	19	19	(40)	(37)	4,861	4,640
Total operating assets	44,722	44,599	8,877	6,196	20	20	(38)	(36)	53,581	50,779
Investments accounted for using the equity method	262	2,725	277	253	—	—	—	1	539	2,979
Discontinued operations /Non-current assets held for sale										—
Unallocated assets									7,907	15,429
Total Assets									62,027	69,187
Total operating liabilities	8,886	10,890	2,133	1,671	23	29	(105)	(81)	10,937	12,509
Liabilities directly associated with Discontinued operations/Non-current assets held for sale										—
Unallocated liabilities									32,365	34,639
Equity									18,725	22,039
Total Equity and Liabilities									62,027	69,187

b) Reporting by geographical area

		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2022	2021	2022	2021	12/31/2022	12/31/2021
Italy	(a)	11,553	12,189	10,928	11,557	40,495	40,542
Outside Italy	(b)	4,235	3,127	4,860	3,759	8,225	5,597
Total	(a+b)	15,788	15,316	15,788	15,316	48,720	46,139

c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 40

RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related party transactions and the impact of those amounts on the separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group - Governance - Governance Tools - Other Codes and Procedures section.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2022 and 2021 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	15,788	17	154			171	1.1
Other income	213	3				3	1.4
Acquisition of goods and services	7,239	270	221			491	6.8
Employee benefits expenses	3,180			76	24	100	3.1
Depreciation and amortization	4,777	29	4			33	0.7
Finance expenses	2,538	12				12	0.5

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	15,316	31	31			62	0.4
Other income	272	1	11			12	4.4
Acquisition of goods and services	6,550	355	142			497	7.6
Employee benefits expenses	2,941			74	34	108	3.7
Other operating expenses	1,502	3				3	0.2
Depreciation and amortization	4,490	50				50	1.1
Finance income	1,124		1			1	0.1
Finance expenses	2,274	18				18	0.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of related-party transactions on the TIM Group separate consolidated statements of financial position line items at December 31, 2022 and December 31, 2021, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(49)		(1)		(1)	2.0
Current financial receivables arising from lease contracts	(69)		(11)		(11)	15.9
Non-current financial liabilities for lease contracts	4,597		10		10	0.2
Current financial liabilities for lease contracts	870		13		13	1.5
Total net financial debt	25,370		11		11	—
Other statement of financial position line items						
Rights of use assets	5,488		38		38	0.7
Miscellaneous receivables and other non-current assets	2,365	1			1	—
Trade and miscellaneous receivables and other current assets	4,539	26	55		81	1.8
Miscellaneous payables and other non-current liabilities	1,146		21		21	1.8
Trade and miscellaneous payables and other current liabilities	8,199	34	91	24	149	1.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(45)		(1)		(1)	2.2
Non-current financial liabilities for lease contracts	4,064	269			269	6.6
Current financial liabilities for financing contracts and others	5,945	1			1	—
Current financial liabilities for lease contracts	651	74			74	11.4
Total net financial debt	22,416	344	(1)		343	1.5
Other statement of financial position line items						
Rights of use assets	4,847	299	2		301	6.2
Trade and miscellaneous receivables and other current assets	4,358	24	56		80	1.8
Miscellaneous payables and other non-current liabilities	1,413	2	25		27	1.9
Trade and miscellaneous payables and other current liabilities	9,473	182	60	23	265	2.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2022 and 2021 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)

Purchase of intangible, tangible and rights of use assets on an accrual basis	4,909	42	29		71	—

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)

Purchase of intangible, tangible and rights of use assets on an accrual basis	5,297	8	15		23	0.4
Dividends paid	368		51		51	13.9

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

Transactions with associates, subsidiaries of associates and joint ventures

Under the scope of the reorganization of Italtel S.p.A., on April 1, 2022, TIM S.p.A. subscribed to part of the company's share capital increase, taking the share held by the TIM Group in Italtel S.p.A. to 17.72%.

Italtel S.p.A. is also subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures).

Therefore, starting April 1, 2022, the company is considered an associate and its subsidiaries are considered related parties of the TIM Group.

In accordance with Art. 5, subsections 8 and 9 of Consob Regulation no. 17221 of March 12, 2010 concerning "Related-Party Transactions" and subsequent amendments, in 2022, the carrying out of the Transaction of greater importance is noted, as defined by Art. 4, subsection 1, letter a) of the above regulation and by Art. 7 of the Company's Related-Party Transactions Procedure, following the award of the European open tender procedure for the award, by public-private partnership contract, of the development and management of the National Strategic Hub.

The most significant values of the transactions with associates, subsidiaries of associates and joint ventures are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Revenues			
Polo Strategico Nazionale S.p.A.	16		Products and services related to the start-up phase of the National Strategic Hub.
INWIT S.p.A.	15	42	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
I-Systems S.A.	7	1	Services supplied by TIM S.A.
Italtel S.p.A.	1		Supply of fixed and mobile telephone services including equipment, Microsoft licenses and outsourcing services.
NordCom S.p.A.	1	1	Fixed and mobile voice services, equipment, data network connections and outsourcing.
TIMFin S.p.A.	(23)	(13)	Mobile and fixed voice services, outsourced services, fees and margins for miscellaneous costs for loans.
Total revenues	17	31	
Other income	3	1	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.	167	341	Supply of services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites.
I-Systems S.A.	67	5	Supply of multimedia communication services and capacity services.
Italtel S.p.A.	27		Supply of equipment, software licenses, professional services, hardware and software maintenance services connected with TIM offers to end customers, supply of network and security equipment maintenance services for a time-frame of 24 months, linked to the TIM offer for the customer Poste Italiane.
W.A.Y. S.r.l.	8	8	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	1	
Total acquisition of goods and services	270	355	
Other operating expenses	—	3	Penalties for breach of contract on maintenance management services to INWIT S.p.A.
Depreciation and amortization	29	50	Amortization of rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Finance expenses			
INWIT S.p.A.	9	15	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	3	3	Finance expenses for commission and other finance expenses.
Total finance expenses	12	18	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Net financial debt			
Non-current financial liabilities for lease contracts	—	269	Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for lease contracts	—	74	Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for financing contracts and others	—	1	Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Rights of use assets	—	299	Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Miscellaneous receivables and other non-current assets	1		Other deferred costs to Italtel S.p.A.
Trade and miscellaneous receivables and other current assets			
Polo Strategico Nazionale S.p.A.	20		Products and services related to the start-up phase of the National Strategic Hub.
I-Systems S.A.	3	1	Services supplied by TIM S.A.
Italtel S.p.A.	1		Supply of fixed and mobile telephone services including Microsoft devices and licenses.
W.A.Y. S.r.l.	1	2	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Other minor companies	1	1	
INWIT S.p.A.	—	20	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
Total trade and miscellaneous receivables and other current assets	26	24	
Miscellaneous payables and other non-current liabilities	—	2	Deferred subscription charge revenues from INWIT S.p.A.
Trade and miscellaneous payables and other current liabilities			
Italtel S.p.A.	15		Supply contracts connected with investment and operation.
I-Systems S.A.	9	5	Supply of multimedia communication services and capacity services.
TIMFin S.p.A.	8	3	Cost of the risk for loans.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
INWIT S.p.A.	—	171	Supply of services for BTS sites, monitoring and security services, management and maintenance services.
Movenda S.p.A.	—	1	Supply and certification of SIM-cards, software systems.
Total trade and miscellaneous payables and other current liabilities	34	182	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Italtel S.p.A.	35	-	Software development, FTTH design for FiberCop works, supply of hardware and software, installations of hardware and engineering services for the network platforms.
INWIT S.p.A.	7	7	IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers.
Movenda S.p.A.	—	1	Supply and development systems software.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	42	8	

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- CDP Group (Cassa Depositi e Prestiti and Group subsidiaries);
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Revenues			
Cassa Depositi e Prestiti Group	153	30	Transfer of rights to use lead-in ducts and revenues for the rental of vertical segments, IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services, electricity supply services.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	154	31	
Other income		11	Reimbursement by a CDP Group company due to Telenergia following the judgment of the Council of State no. 5625-2021s, published on 7/30/2021.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	77	31	Supply of cloud enabling services for the award of cloud computing services, security, the development of on-line services and portals and applicative cooperation for the Public Administrations, Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion) and purchase of electricity
Havas Group	139	107	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	5	4	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total acquisition of goods and services	221	142	
Depreciation and amortization	4		IRUs acquired by FiberCop to Cassa Depositi e Prestiti
Finance income		1	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Net financial debt			
Non-current financial assets	(1)		Non-current financial receivables arising from lease contracts for Cassa Depositi e Prestiti.
Current financial assets	(11)	1	Current financial receivables arising from lease contracts (portion not collected IRU lead-in ducts) for Cassa Depositi e Prestiti
Non-current financial liabilities	10		Lease contract renewal (former Metroweb) for Cassa Depositi e Prestiti
Current financial liabilities	13		Payable for purchase in IRU infrastructures, contract former Metroweb for Cassa Depositi e Prestiti
Other statement of financial position line items			
Rights of use assets	38	2	Supply and installation of vertical segments and infrastructure for Cassa Depositi e Prestiti
Trade and miscellaneous receivables and other current assets			
Cassa Depositi e Prestiti Group	55	43	IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services and electricity supply.
Havas Group	—	13	Prepaid expenses related to costs for advertising services.
Total trade and miscellaneous receivables and other current assets	55	56	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	19	23	Deferred subscription charges revenues.
Vivendi group	2	2	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	21	25	
Trade and miscellaneous payables and other current liabilities			
Cassa Depositi e Prestiti Group	47	21	Supply of cloud enabling services for the award of cloud computing services, security, the development of on-line services and portals and applicative cooperation for the Public Administrations, Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion) and purchase of electricity.
Havas Group	42	37	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	2	2	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total trade and miscellaneous payables and other current liabilities	91	60	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Cassa Depositi e Prestiti Group	28	-	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion).
Vivendi group	1	16	Development of the discovery phase and MYCanal+ platform supply for the TimVision Service.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	29	16	
Dividends paid			
Cassa Depositi e Prestiti Group	—	15	Dividends paid.
Vivendi group	—	36	Dividends paid.
Total Dividends paid	—	51	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	9	9	
Telemaco	64	61	
Other pension funds	3	4	
Total employee benefits expenses	76	74	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	20	20	
Other pension funds	1		
Total trade and miscellaneous payables and other current liabilities	24	23	

Remuneration to key managers

In 2022, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 24 million euros (34 million euros for 2021)

(million euros)	2022	2021
Short-term remuneration	14 ⁽¹⁾	9 ⁽⁴⁾
Long-term remuneration	1	
Employment termination benefit incentives	5 ⁽²⁾	18
Share-based payments (*)	4 ⁽³⁾	7 ⁽⁵⁾
Total	24	34

⁽¹⁾ These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive and Plans of the subsidiaries).

⁽⁴⁾ of which 1.2 million euros recorded by the subsidiaries;

⁽²⁾ of which 0.1 million euros recorded by the subsidiaries;

⁽³⁾ of which 2.8 million euros recorded by the subsidiaries;

⁽⁴⁾ of which 1.2 million euros recorded by the subsidiaries;

⁽⁵⁾ of which 1.0 million euros recorded by the subsidiaries;

Short-term remuneration is paid during the reference year, and, at the latest, within the six months following the end of that period.

In 2022, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers, amounted to 212 thousand euros (140 thousand euros at December 31, 2021).

In 2022, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:	
Pietro Labriola	Managing Director and Chief Executive Officer of TIM S.p.A. General Manager of TIM S.p.A. (1) Diretor Presidente TIM S.A.
Managers:	
Alberto Maria Griselli	(2) Diretor Presidente TIM S.A.
Giovanna Bellezza	(3) a.i. Head of Human Resources, Organization & Real Estate
Adrian Calaza Noia	(4) Chief Financial Office
Paolo Chiriotti	(5) Chief Human Resources, Organization, Real Estate & Transformation Office
	(6) Chief Human Resources, Organization & Real Estate Office
	(7) Chief Human Resources & Organization Office
Simone De Rose	Head of Procurement
Stefano Grassi	(8) Head of Security
Massimo Mancini	Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia	Chief Regulatory Affairs Office
Agostino Nuzzolo	Head of Legal & Tax
Claudio Giovanni Ezio Ongaro	Chief Strategy & Business Development Office
Elisabetta Romano	(9) Chief Network, Operations & Wholesale Office
	(10) Chief Executive Officer of TI Sparkle
Giovanni Ronca	(11) Chief Financial Office
Andrea Rossini	(12) Chief Consumer, Small & Medium Market Office
Eugenio Santagata	(13) Chief Public Affairs & Security Office
	Chief Executive Officer of Telsy
Elio Schiavo	(14) Chief Enterprise and Innovative Solutions Office
Stefano Siragusa	(15) Chief Executive Officer of Noovle
	(16) Chief Network, Operations & Wholesale Office

(1) To January 31, 2022

(2) From February 1, 2022

(3) To March 29, 2022

(4) From March 1, 2022

(5) From March 30, 2022 to August 2, 2022

(6) From August 3, 2022 to October 16, 2022

(7) From October 17, 2022

(8) To April 8, 2022

(9) From August 3, 2022

(10) From August 3 to November 16, 2022

(11) To February 28, 2022

(12) From February 21, 2022

(13) From April 9, 2022

(14) From May 16, 2022

(15) From November 29, 2022

(16) To August 2, 2022

NOTE 41

EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2022, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2022.

A summary is provided below of the plans in place at December 31, 2022.

Description of stock option plans

TIM S.p.A. 2022-2024 Stock Option Plan

The Shareholders' Meeting held on April 7, 2022, approved the one-shot 2022-2024 Stock Option Plan. The Plan aims to encourage Beneficiaries to create value for the Company's shareholders, aligning management's interests with the interests of TIM shareholders in terms of achieving the qualified objectives of the Industrial Plan and growth in the value of the Share in the medium-term. The Plan intends to also assure the possibility of attracting new managers from the outside, as the Industrial Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives. Addressees are, in addition to the CEO, broken down into three pay opportunity brackets according to the contribution and impact of the role held on the company's strategic objectives; for each bracket, the number of option rights attributed at target, is determined.

The Plan has a strike price of 0.4240 euros, a three-year vesting period (1/1/2022-12/31/2024) and a two-year exercise period (from approval of the 2024 financial statements and through to the next two years).

The following performance conditions are also envisaged for the three-year period 2022-2024:

- Cumulative (reported) Economic-financial indicator (EBITDA-CAPEX) with a weight of 70%
- ESG indicators with a total weight of 30%, structured into:
 - percentage of women in positions of responsibility (15%)
 - percentage of consumption of renewable energies (15%).

The level of achievement of the indicators determines the accrual of option rights over an interval that ranges from -10% to + 10% with respect to the target number allocated per bracket.

A cap is also envisaged that is commensurate to the maximum economic benefit, calculated by applying a normal value of the share at the moment of assessment of the performance conditions (2024 financial statements), assumed as 1.5 euros, to the number of option rights assigned at target. The cap is applied when the option rights accrue and impacts the number of option rights that can be assigned.

The clawback clause also applies to all addressees of this plan, up to the point of exercise of the option rights.

At December 31, 2022, there were a total of 131 addressees and the number of options assigned at target is 206,210,000.

For more details, see the information document on the initiative available for consultation at the link Information Document on the 2022-2024 Stock Options Plan (<https://www.gruppotim.it/content/dam/gt/investitori/doc---avvisi/anno-2022/ita/Doc-informativo-Piano-stock-option-22-24.pdf>).

TIM S.A. Stock Option Plans

On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the TIM S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

Year 2014

On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. At December 31, 2022, there are no options that can be exercised. Out of the total attributed, 1,558,043 options have been canceled (due to the participants leaving the company or for expiry of the exercise period), and 129,643 options have been exercised.

Year 2015

On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As of December 31, 2022, 100% of the options were considered as vested, and there are no options that can be exercised. Of the total options granted, 1,646,080 were canceled by participants leaving the company. All of the remaining balance (amounting to 1,709,149 options) has been exercised.

Year 2016

On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares. At December 31, 2022, 100% of the options were considered as vested. Of the total options granted, 1,727,424 were canceled by participants leaving the company. All of the remaining balance (amounting to 2,194,780 options) has been exercised.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the rolling and equity based long-term incentive plan called LTI 2020-2022.

The Plan envisaged three incentive cycles, connected with the performance three-year periods 2020-2022, 2021-2023, 2022-2024; over time, two of the three incentive cycles have been launched: 2020-2022, 2021-2023.

Each cycle of the plan is divided into two parties:

- **Performance Share:** free allocation of Company ordinary shares, the maturity of which is subject to an access gate and two performance conditions, given below.
- **Attraction/Retention Share:** free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%.

A payout bonus/malus mechanism equal to 4% is applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the percentage growth of use of renewable energy out of total energy and to the reduction of indirect emissions of CO₂ (2020-2022 cycle);
- to the percentage growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

Target recipients are the Chief Executive Officer, the Top Management and a selected segment of TIM Group management.

For the CEO, 100% of the Pay Opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

On April 7, 2022, the Shareholders' Meeting approved, after acknowledging the changes in scenario, the obsolescence of the 2020-22 Long Term Incentive Plan and replaced the third cycle of this plan with the new 2022-2024 Stock Options Plan described previously.

2020-2022 Cycle

The final results of the performance indicators tied to this cycle will be submitted for approval by the TIM S.p.A. Board of Directors on March 15, 2023.

Valuation at December 31, 2022 of the gate to accessing maturity of the performance shares is below the value of the share at the Plan start-up: failure to satisfy the Gate condition determines the forfeiture of 37,201,463 performance shares at target and the maintenance - for the 102 recipients continuing their employment with TIM or Group subsidiaries at December 31, 2022 - of the right to receive a total of 10,879,774 shares (attraction/retention shares), considering the application of the ESG correction factor to the comprehensive payout in the amount of + 4%.

2021-2023 Cycle

At December 31, 2022, the cycle provides for the 144 recipients to be entitled to receive an award of 42,104,350 shares upon achievement of the target, subject to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share).

The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a vesting period of 3 years.

At December 31, 2022, 100% of the rights assigned were considered as vested.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Three vesting periods ended on December 31, 2022:

- **In 2020**, in compliance with the results approved on July 29, 2020, 309,557 shares were transferred to beneficiaries, of which 209,349 relating to the original volume accrued, 83,672 granted according to the degree to which objectives had been achieved and 16,536 shares as a result of the dividends distributed during the period.
- **In 2021**, in compliance with the results approved on July 26, 2021, 309,222 shares were transferred to beneficiaries, of which 207,859 relating to the original volume accrued, 78,111 discounted according to the degree to which objectives had been achieved and 23,252 shares for dividends distributed during the period.
- **In 2022**, in compliance with the results approved on April 26, 2022, 618,495 shares were transferred to beneficiaries, of which 419,188 relating to the original volume accrued, 137,064 discounted according to the degree to which objectives had been achieved and 62,243 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 11,574 shares (7,842 relating to the original volume accrued, 2,537 acknowledged according to the degree to which the objectives had been achieved and 1,195 due to dividends distributed during the period).

At December 31, 2022, of the original volume assigned of 930,662 shares, 86,424 had been canceled due to the beneficiaries having left the company and 1,237,274 shares had been transferred to beneficiaries (836,396 relating to the original volume accrued, 298,847 from performance achieved and 102,031 for payment of dividends in shares) and 11,574 shares had been valued and paid in cash (7,842 relating to the original volume accrued, 2,537 from performance achieved and 1,195 for payment of dividends in shares), thereby completing the 2019 concession.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on December 31, 2022:

- **In 2021**, in compliance with the results approved on May 5, 2021, 267,145 shares were transferred to beneficiaries, of which 206,578 relating to the original volume accrued, 51,634 granted according to the degree to which objectives had been achieved and 8,933 shares as a result of the dividends distributed during the period.
- **In 2022**, in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).

At December 31, 2022, of the original volume assigned of 796,054 shares, 74,019 had been canceled due to the beneficiaries having left the company and 270,623 shares had been transferred to beneficiaries (209,171 related to the original volume vested, 52,283 recognized on the basis of performance achieved and 9,169 for effect of dividends distributed during the period). In July, 337,937 shares will be transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which the objectives had been achieved and 22,884 shares as a result of dividends distributed during the period, thereby leaving a balance of 264,481 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the Oi purchase operation in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On December 31, 2022 the first vesting period ended:

- **In 2022**, in compliance with the results approved on April 26, 2022, in July 572,608 shares were transferred to beneficiaries, of which 463,608 relating to the original volume accrued, 87,605 granted according to the degree to which objectives had been achieved and 21,395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- **Special Grant:** in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.

At December 31, 2022, of the total assigned of 3,431,610 shares, 361,515 had been canceled due to the beneficiaries having left the company and 3,486 shares had been transferred to beneficiaries through payment in cash, given the results of the first vesting period of the performance shares. In July, 1,174,544 shares will be transferred to beneficiaries, of which 1,043,059 relating to the original volume accrued, 87,605 granted according to the degree to which the objectives had been achieved and 43,880 shares as a result of dividends distributed during the period, thereby leaving a balance of 2,073,792 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2022-2024

On April 26, 2022, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2022

On April 26, 2022, plan beneficiaries were granted the right to receive a total of 1,227,712 shares, of which 927,428 performance shares restricted to performance conditions and with gradual vesting over 3 years and 300,284 restricted shares, with a vesting period of 3 years.

At December 31, 2022, the first vesting period had not yet concluded and 44,565 shares had been canceled due to beneficiaries leaving the Company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
2020-2022 LTI Plan – First Cycle (2020-22)	—	0.35	n.a.	3 years	0.01	-0.714% at 3 years
2020-2022 LTI Plan – Second Cycle (2021-23)	—	0.42	n.a.	3 years	0.01	-0.720% at 3 years
SOP 2022-2024	0.424	—	34.6%	3 years	0.02	0.479% at 3 years

- (1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.
- (2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").
- (3) Dividends have been estimated on the basis of Bloomberg data.
- (4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Share base price (reais)	Nominal value (reais)	Volatility	Duration	Expected dividends (reais)	Risk-free interest rate
Stock option plan 2014	13.42	n.a.	44.60%	6 years	-	10.66% per annum
Stock option plan 2015	8.45	n.a.	35.50%	6 years	-	16.10% per annum
Stock option plan 2016	8.10	n.a.	36.70%	6 years	-	11.73% per annum
2018 PS/RS Plan	n.a.	14.41	n.a.	3 years	n.a.	n.a.
2019 PS/RS Plan	n.a.	11.28	n.a.	3 years	n.a.	n.a.
2020 PS/RS Plan	n.a.	14.40	n.a.	3 years	n.a.	n.a.
2021 PS/RS Plan	n.a.	12.95	n.a.	3 years	n.a.	n.a.
2022 PS/RS Plan	n.a.	13.23	n.a.	3 years	n.a.	n.a.

The parameters are characteristic of a stock option plan, considering the use of fair value appropriate only for Stock Option Plans.

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2022.

NOTE 42

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2022 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)	Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)
Carrying amount	(a)	(b)	(c)	(d)
Other income	23	23	6	(6)
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs	(49)	(49)	49	(49)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs	(563)	(563)	438	(438)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers for other provisions and charges	(77)	(77)	453	(453)
Other income (expenses) from investments	204	204	(1,317)	1,317
Other finance expenses	(11)	(11)	—	—
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(1,964)	(1,964)	—	—
Total non-recurring effects	(b)	(2,437)	(371)	371
Income/(Expenses) relating to Discontinued operations	(c)	—	—	—
Figurative amount – financial statements	(a-b-c)	21,162	25,741	(3,680)

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

Flows relating to "Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with

customers and/or suppliers and other provisions and charges" include the effects connected with use of the Contractual risk provisions for onerous contracts (IAS 37).

More specifically, in 2021, the net present value of the negative margin relating to contracts with certain counterparties for multimedia contents offers, including those between TIM and DAZN, was set aside.

Starting from the 2022 financial year, use of the aforementioned Provision over the contractual term makes it possible to offset the negative item of the margin (EBITDA) - referring to both the operating performance of the business and commitments in terms of prices that TIM is contractually obliged to pay to counterparties - thereby obtaining a null operating margin (organic) for the content business.

From a financial viewpoint, the negative margin covered by the Risks Provision has an equal impact on the Net Financial Position and cash flows. For the DAZN contract, TIM is contractually obliged to pay advance installments for each year (July 1-June 30, corresponding to each championship season).

In August 2022, TIM and DAZN reached a new agreement that - in amending the clauses previously in place - allows DAZN to distribute football rights to show the TIM Serie A championship matches through any third party, surpassing the previous system of TIM exclusivity. The new contractual structure has no impact on TIM customers, who continue to enjoy matches through TimVision, the most advantageous streaming platform with the best selection of content available on the market. At the same time, the objective is achieved of distributing rights over multiple platforms with a view to developing a more sustainable economic model that would also be less volatile.

During 2022, TIM S.p.A. also recorded a provision of 41 million euros for onerous contracts relating to a multi-year agreement stipulated 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.

The Provision for contractual risks for onerous contracts at December 31, 2022 came to 247 million euros.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2022	2021
Revenues:		
Revenue adjustments	—	(5)
Other income:		
Recovery of operating expenses	23	13
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(56)	(49)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(572)	(367)
Other operating expenses:		
Other expenses and provisions	(77)	(735)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(682)	(1,143)
Goodwill impairment loss Domestic CGU	—	(4,120)
Impact on Operating profit (loss) (EBIT)	(682)	(5,263)
Other income (expenses) from investments:		
Net capital gain on corporate transactions	203	119
Finance income:		
Other finance income	—	1
Finance expenses:		
Other finance expenses	(11)	(1)
Impact on profit (loss) before tax from continuing operations	(490)	(5,144)
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(1,964)	(3,785)
Income tax expense on non-recurring items	17	276
Impact on Profit (loss) for the year	(2,437)	(8,653)

Further details on the tax realignment pursuant to Decree Law 104/2020 are provided in the Note "Income tax expense (current and deferred)".

NOTE 43

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2022 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 44

OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations^(*)

		Year-end exchange rates (statements of financial position)		Average exchange rates for the year (income statements and statements of cash flows)	
(local currency against 1 euro)		12/31/2022	12/31/2021	2022	2021
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	24.11600	24.85800	24.56358	25.64620
CHF	Swiss franc	0.98470	1.03310	1.00475	1.08136
TRY	Turkish lira	19.96490	15.23350	17.40879	10.49995
GBP	Pound sterling	0.88693	0.84028	0.85268	0.85970
RON	Romanian leu	4.94950	4.94900	4.93133	4.92118
RUB	Russian ruble	77.95160	85.30040	73.30944	87.18796
North America					
USD	U.S. dollar	1.06660	1.13260	1.05335	1.18285
Latin America					
VES (**)	Venezuelan bolivar – Soberano	18.04390	5.19230	6.87673	2,489,106.60692
BOB	Bolivian Boliviano	7.38750	7.83860	7.25140	8.16146
PEN	Peruvian nuevo sol	4.08040	4.55660	4.03697	4.58967
ARS	Argentine peso	189.69730	116.53860	137.13626	112.44200
CLP	Chilean peso	909.36000	969.83000	917.46919	898.33180
COP	Colombian peso	5,194.90000	4,628.12000	4,474.96042	4,430.02835
BRL	Brazilian real	5.56520	6.32047	5.43993	6.35936
Other countries					
ILS	Israeli shekel	3.75540	3.51590	3.53485	3.82197
NGN	Nigerian Naira	493.65090	483.26890	449.06170	482.17941

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.

(**) On October 1, 2021, a new monetary scale took effect, entailing the elimination of six zeros in relation to the previous one (1,000,000Bs = 1Bs).

b) Research and development

Costs for research and development activities are represented by external costs, dedicated employee benefits expenses and depreciation and amortization. Details are as follows:

(million euros)	2022	2021
Research and development costs expensed during the year	49	56
Capitalized development costs	906	1,016
Total research and development costs (expensed and capitalized)	955	1,072

The decrease recorded in the 2022 financial year is due to the stabilization of implementation activities connected with the new generation networks.

In the 2022 Separate Consolidated Income Statement, a total of 877 million euros of amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations ("Research and Development" section).

c) Leasing income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2022 and at December 31, 2021 the lease installments at nominal value still to be collected totaled:

(million euros)	12/31/2022	12/31/2021
Within next year	91	100
From 1 to 2 years after the end of the reporting period	39	36
From 2 to 3 years after the end of the reporting period	38	34
From 3 to 4 years after the end of the reporting period	34	34
From 4 to 5 years after the end of the reporting period	33	30
Beyond 5 years after the end of the reporting period	30	29
Total	265	263

d) Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2022 and 2021:

Distributing entity	Area of intervention	Received in 2022 (million euros)	Received in 2021 (million euros)
Fondimpresa/Fondirigenti	training	3	
Infratel	construction of Broadband and Ultrabroadband infrastructure	3	3
Ministry of Enterprises and Made in Italy (formerly the Ministry of Economic Development)	research and innovation	3	
ANPAL	training	—	54
Other		1	1
Total(*)		10	58

(*) 2022 - includes 0.7 million euros in returns

e) Directors' and statutory auditors' remuneration

Total remuneration due for 2022 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 4.973 million euros for directors and 0.575 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, subsections 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2022 financial statements, and the fees referring to 2022 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2022 are also shown.

(euros)	EY S.p.A.			Other entities of the EY network			Total EY network
	TIM S.p.A.	Subsidiaries	TIM Group	TIM S.p.A.	Subsidiaries	TIM Group	
Audit services	2,751,643	2,214,676	4,966,319	—	2,220,863	2,220,863	7,187,182
Audit services with the issue of certification	64,000	27,000	91,000	—	32,000	32,000	123,000
Certification of compliance of the Consolidated Non-Financial Statement	78,025	—	78,025	—	50,543	50,543	128,568
Other services	65,000	—	65,000	—	—	—	65,000
Total 2022 fees due for auditing and other services to the EY network	2,958,668	2,241,676	5,200,344	—	2,303,406	2,303,406	7,503,750
Out-of-pocket expenses	27,765	17,760	45,525	—	84,929	84,929	130,454
Total	2,986,433	2,259,436	5,245,869	—	2,388,335	2,388,335	7,634,204

NOTE 45

EVENTS SUBSEQUENT TO DECEMBER 31, 2022

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

Following approval by the Board of Directors on January 18, 2023 and after completion of bookbuilding, TIM S.p.A. has successfully placed an 850-million euro fixed-rate unsecured bond offered to institutional investors.

The proceeds from the new issue will be used to optimize and refinance the maturities of existing debt.

The details are shown below:

Issuer: TIM S.p.A.

Amount: 850 million euros

Settlement date: January 27, 2023

Maturity: February 15, 2028

Coupon: 6.875%

Issue price: 100.0%

Redemption price: 100.0%

The bond regulation sets out various commitments typical of these types of transactions for the issuer, including the limit of granting guarantees over its assets or implementing extraordinary corporate transactions, except where certain covenants are met.

The bond was listed on the Luxembourg stock exchange Euro MTF market. The ratings agencies Moody's, S&P and Fitch have attributed a rating to the bond respectively of B1, B+ and BB-.

TIM: non-binding offers for the purchase of Netco

On February 2, 2023, TIM reported having received from Kohlberg Kravis Roberts & Co. L.P. ("KKR") a non-binding offer ("KKR NBO") for the purchase of a stake in a newco being established, coinciding with the managerial and infrastructural scope of the fixed network, including the assets and business of FiberCop, as well as the holding in Sparkle (the "Netco"). The non-binding offer refers to a share to be defined, without prejudice to the fact that the purchase would result in the loss of vertical integration with respect to TIM. The TIM Board of Directors - which met on February 2, 2023 to start the process relating to the examination of the non-binding offer - decided to meet again on February 24, 2023 to resolve on the non-binding offer received from KKR for NetCo, also notifying its willingness to assess any alternatives as may become concrete in the meantime and continue talking to its stakeholders.

In connection with the press news regarding the non-binding offer on TIM's fixed infrastructure presented by KKR, on the request of Consob, the Company has clarified that unless otherwise agreed by the parties, the offer shall last for 4 weeks from the date on which it was submitted (February 1) and the Board of Directors would be meeting in the meantime to discuss the offer and make the relevant decisions.

As is standard practice for transactions of this type, the non-binding offer is only approximate and is subject to analyses, investigations and assessments to be carried out in the meantime, also discussing this with KKR. On the other hand, and as already reported, TIM is ready to consider alternative options.

Thereafter, on February 21, 2023, TIM reported having received a letter from KKR extending the deadline of this offer to March 24, 2023. More specifically, as indicated in the letter, the extension of the deadline is due to a request made by the government to have another four weeks within which to carry out a joint analysis of the publishing aspects of the transaction, concerning the powers that can be exercised by the government in the sector. KKR has, however, confirmed that it is willing to continue a constructive dialog with TIM and proceed with due diligence.

On February 24, 2023, TIM S.p.A.'s Board of Directors examined the contents of the KKR NBO and the letter of extension received on February 21, 2023, also with the help of the analyses and investigations carried out by the management with the support of the advisors. In light of the information received, the Board has much appreciated the interest expressed in said NBO, despite considering that it does not fully reflect the value of the asset and TIM's expectations, also in terms of the sustainability of the company resulting from the operation considered therein. Therefore, in order to foster the alignment of the conditions of the operation proposed with respect to the strategic context relevant to TIM, the Board has resolved to make certain specific information available to KKR - on a non-exclusive basis - and to request the additional indications necessary to fully understand the topics and economics of the proposal. The above is with the aim of receiving an improved offer following such exchanges of information, by the deadline of March 31, 2023.

On March 5, 2023, TIM reported having received from a consortium consisting of CdP Equity S.p.A. (CDPE) and Macquarie Infrastructure and Real Assets (Europe) Limited, acting on behalf of a group of investment funds managed or assisted by the Macquarie Group (the "Consortium"), a non-binding offer (the "Consortium NBO") for the purchase of 100% of a company being established, substantially responsible for the managerial and infrastructural scope of the fixed network, including the assets and business of FiberCop and the investment in Sparkle (the "Netco").

The Board examined the contents of the Consortium NBO, also through analyses and investigations by the management and with the support of the advisors.

In light of the information received, the Board much appreciated the interest expressed in such Consortium NBO, despite considering that - just like the KKR NBO - it did not reflect the value of the asset and TIM's expectations. Therefore, in compliance with what had happened in the context of the KKR NBO, in order to foster the alignment of the conditions of the operation proposed with respect to the strategic context relevant to TIM, the Board has resolved to make certain specific information available to the Consortium - on a non-exclusive basis - and to request the additional indications necessary to fully understand the topics and economics of the Consortium NBO.

In addition, in order to allow both the Consortium and KKR to submit their best offers in a defined competitive process, it appointed the Chief Executive Officer, Pietro Labriola, to start a regulated process, sending both offerers, through their advisors, a process letter setting out:

- the terms that would give them access to additional, specific information, identical for both offerers;
- the ways by which each could submit a better non-binding offer by April 18, 2023.

The Board also resolved to assign the Related Parties Committee the task of carrying out due investigations in respect of both offers.

Agreement with the trade unions pursuant to Art. 4 of Law 92/2012

On March 21, 2023, TIM S.p.A. and the Trade Unions signed an agreement pursuant to Art. 4 of Italian Law no. 92/2012. The agreement involves an incentive to take redundancy for up to 2,000 people and is valid until November 30, 2023.

NOTE 46

LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
MINDICITY S.r.l. BENEFIT CORPORATION (design, development, implementation, installation, management and marketing of software, hardware, electronic IT systems and telecommunications systems)	CASALMAGGIORE (CREMONA)	EUR	10,000	70.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
NOOVLE AI S.r.l. (ICT services)	ROVERETO (TRENTO)	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE SLOVAKIA S.R.O. (in liquidation) (ICT services)	BRATISLAVA (SLOVAKIA)	EUR	5,000	85.0000 15.0000		NOOVLE S.p.A. SOCIETA' BENEFIT TELECOM ITALIA FINANCE S.A.
OLIVETTI PAYMENT SOLUTIONS S.p.A. (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	50,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI S.p.A. SOCIETA' BENEFIT (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center management)	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGOMAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGIO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES OF AMERICA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTICIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTICIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTÁ (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLAND)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES OF AMERICA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES OF AMERICA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNİKASYON ANONİM ŞİRKETİ (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (in liquidation) (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SERVIZI DIGITALI S.p.A. (development and ordinary and extraordinary maintenance of plants for the supply of telecommunications services to end customers)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
BRAZIL BU						
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	2,993,889,243	100.0000		TIM S.A.
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,227,356,500	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0005	66.5885	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	99.9997		TIM S.p.A.
TI AUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies

ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	32.6200	TIM S.p.A.
CONSORZIO MEDSTAR (other services to support businesses)	ROME	EUR	10,000	50.0000	STAER SISTEMI S.r.l.
DAPHNE 3 S.p.A. (assumption, holding, management and disposal of equity investments in INWIT)	MILAN	EUR	100,000	10.0000	TIM S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000	TIM S.A.
ITALTEL S.p.A. (telecommunications systems)	ROME	EUR	5,692,956	17.7200	TIM S.p.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000	TIM S.p.A.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME	EUR	181	(*)	TELECOM ITALIA VENTURES S.r.l.
POLO STRATEGICO NAZIONALE S.p.A. (design, preparation, fitting out and making available of highly reliable national data network infrastructures for the public administration)	ROME	EUR	3,000,000	45.0000	TIM S.p.A.
QTI S.r.l. (development, production and sale of innovative products and services with high technological value)	FLORENCE	EUR	19,608	49.0000	TELSY S.p.A.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering research activities)	ROME	EUR	15,000	36.0000	STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020	TIM S.p.A.
TIMFIN S.p.A. (carrying out in regard to the public of the concession of loans in any form and, notably, of any type of finance disbursed in the form of a personal and consumer loan)	TURIN	EUR	40,000,000	49.0000	TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN	EUR	136,383	39.9999	OLIVETTI S.p.A. SOCIETA' BENEFIT
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	(*)	TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN	EUR	25,000	(*)	TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies

OTHER MAJOR INVESTMENTS

IBAS ITALIAN BROADCASTING ADVANCE SOLUTIONS (consultancy services for the management of common promotional activities and connected public relations of the consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000	STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786	TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2850	TIM S.p.A.
MIX S.r.l. (internet service provider)	MILAN	EUR	3,500,000	11.0937	TIM S.p.A.
WIMAN S.r.l. (in liquidation) (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA)	EUR	22,233	13.4935	TELECOM ITALIA VENTURES S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Adrian Calaza Noia, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, subsections 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2022 fiscal year.
2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.
3. The undersigned also certify that:
 - 3.1. the Consolidated Financial Statements at December 31, 2022:
 - a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;
 - b) agree with the results of the accounting records and entries;
 - c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;
 - 3.2. The report on operations contains a reliable operating and financial review of the Company and of the Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 15, 2023

Chief Executive Officer

/ signed /

Pietro Labriola

**Manager Responsible for
Preparing the Corporate
Financial Reports**

/ signed /

Adrian Calaza Noia

INDEPENDENT AUDITORS' REPORT

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill – Domestic As of December 31, 2022, goodwill amounts to Euro 19,111 million and refers for Euro 18,134 million to the Domestic cash generating unit ("CGU") and for Euro 977 million to the Brazil CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 5 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill", "Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ▶ the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ▶ the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to the Domestic CGU; ▶ the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ▶ the assessment of the consistency of the future cash flows forecasts of the CGU with the Group business plan; ▶ the assessment of forecasts in light of their historical accuracy; ▶ the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

Revenue recognition

TIM Group's revenues amounted to Euro 15,788 million as of December 31, 2022, and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators).

Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to (i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, (ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and (iii) the complexity in estimating commitments connected to certain contracts.

The Group provides the relative disclosures in Note 26 "Revenues" of the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the processes underlying the revenue recognition;
- ▶ the understanding and verification of the design and operating effectiveness of the relevant controls over the revenue recognition process;
- ▶ the analysis of the application systems supporting the revenue recognition process;
- ▶ the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard;
- ▶ the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted;
- ▶ the analysis of the valuation of certain contracts identified as onerous contracts;
- ▶ the analysis of the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations;
- ▶ the analysis of the manual journal entries.

We also required external confirmations for a sample of customers and transactions.

Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.

Regulatory disputes

As of December 31, 2022, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place

significant counterparty requests.

The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the 1820 proceeding, started by AGCM against TIM and other telco operators, to ascertain a possible conduct restricting market competition, (iii) the 1857 proceeding for a possible agreement restricting market competition in connection with the partnership with DAZN and (iv) the A514, and the related “follow-on” proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator.

The assessment of the disputes was carried out by Management, as of 31 December 2022, based on the opinion of the external lawyers, as well as considering the latest information available.

The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter.

Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 25 “Disputes and pending legal actions, other information, commitments and guarantees”.

by Management for assessing disputes, accompanied by test of the effectiveness of the internal controls relevant for this process;

- ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
- ▶ the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;
- ▶ the analysis of the responses received from external lawyers following our external confirmations procedures.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Fiscal disputes in Brazil

As of December 31, 2022, the TIM Group is involved in several disputes with the Brazilian tax authorities.

The maximum potential liability associated with these disputes, as at December 31, 2022, amounts to Euro 3,270. With reference to this potential liability, the Group recognized a provision of Euro 85 million with regards to the risks deemed probable.

The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process;
 - ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
 - ▶ the analysis of the legal opinions prepared by external consultants, based on which
-

Management and, also considering the significance of the amounts involved, we considered it to be a key audit matter.

Disclosures related to the assessment of the risks relating to the fiscal disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

Management has based its assessments;

- ▶ the analysis of the responses to our external confirmations procedures received from external lawyers, also with the involvement of our experts in tax disputes.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Recoverability of deferred tax assets

As of December 31, 2022, deferred tax assets amount, net of impairment, to Euro 769 million in the consolidated financial statements.

Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements.

The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which they will be reversed.

The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan.

Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter.

Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the

Our audit procedures in response to the key audit matter included, among others:

- ▶ the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan, taking into account the regulatory changes that took place during 2022;
- ▶ the assessment of the reasonableness of the accuracy of the forecasts compared with the prior periods;
- ▶ the assessment of the Management calculations.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

paragraphs "Income tax expense (current and deferred)" and "Use of estimates" and in note 12 "Income tax expense (current and deferred)".

Acquisition of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.

On April 20, 2022, the Group acquired 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., the company to which part of the assets, rights and obligations of Oi Móvel S.A. have been contributed, for a total consideration of Euro 1,373 million.

The acquisition was accounted for as a business combination pursuant to IFRS 3. The Group has estimated the fair value of the assets acquired and the liabilities assumed, as well as the value of the contingent consideration, using valuation models and assumptions based on future performance (including revenue growth rates and churn rate).

Considering the level of judgment required and the complexity of the assumptions used in estimating the fair value of the assets acquired and liabilities assumed, mainly with reference to the customer relationship, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 4 "Business combinations".

Our audit procedures in response to the key audit matter included, among others:

- ▶ test of the design and effectiveness of the controls put in place to mitigate the risks associated with the valuation process, with particular reference to controls that concern the identification of assets acquired as well as the determination of the inputs of the valuation model;
- ▶ the assessment of the reasonableness of the inputs used in the model, as well as the most significant assumptions used by the Company Management in the preparation of the perspective financial information;
- ▶ the analysis of the completeness and accuracy of the data used in the model, comparing them with market data and trends.

In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the estimation of the fair value of the assets acquired and the liabilities assumed.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement,

whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of

the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may

not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2022, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 30, 2023

EY S.p.A.

Signed by: Ettore Abate, Auditor

As disclosed by the Directors, the accompanying consolidated financial statements of TIM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

TIM Group Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	notes	12/31/2021	of which with related parties	12/31/2020	of which with related parties
Non-current assets					
Intangible assets					
Goodwill	4)	18,568	—	22,847	—
Intangible assets with a finite useful life	5)	7,147	—	6,740	—
		25,715	—	29,587	—
Tangible assets	6)				
Property, plant and equipment owned		13,311	—	13,141	—
Rights of use assets	7)	4,847	301	4,992	347
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	8)	2,979	—	2,728	—
Other investments	8)	156	—	54	—
Non-current financial receivables arising from lease contracts	9)	45	1	43	—
Other non-current financial assets	9)	2,285	—	2,267	—
Miscellaneous receivables and other non-current assets	10)	2,266	—	2,114	—
Deferred tax assets		3,513	—	7,496	—
		11,244	—	14,702	—
Total Non-current assets	(a)	55,117	—	62,422	—
Current assets					
Inventories	12)	282	—	242	—
Trade and miscellaneous receivables and other current assets	13)	4,358	80	4,346	61
Current income tax receivables	11)	79	—	86	—
Current financial assets	9)				
<i>Current financial receivables arising from lease contracts</i>		56	—	55	—
<i>Securities other than investments, other financial receivables and other current financial assets</i>		2,391	—	1,254	—
<i>Cash and cash equivalents</i>		6,904		4,829	
		9,351	—	6,138	—
Current assets sub-total		14,070	—	10,812	—
Discontinued operations /Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current assets	(b)	14,070	—	10,812	—
Total Assets	(b+a)	69,187	—	73,234	—

Equity and liabilities

(million euros)	notes	12/31/2021	of which with related parties	12/31/2020	of which with related parties
Equity	14)				
Capital issued		11,677	—	11,677	—
less: Treasury shares		(63)	—	(89)	—
Share capital		11,614	—	11,588	—
Additional paid-in capital		2,133	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		3,667	—	12,494	—
Equity attributable to owners of the Parent		17,414	—	26,215	—
Non-controlling interests		4,625	—	2,625	—
Total Equity		22,039	—	28,840	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	15)	23,437	—	23,655	—
Non-current financial liabilities for lease contracts	15)	4,064	269	4,199	313
Employee benefits	20)	699	—	724	—
Deferred tax liabilities		245	—	277	—
Provisions	21)	926	—	770	—
Miscellaneous payables and other non-current liabilities	22)	1,413	27	3,602	3
Total Non-current liabilities	(d)	30,784		33,227	
Current liabilities					
Current financial liabilities for financing contracts and others	15)	5,945	1	3,677	—
Current financial liabilities for lease contracts	15)	651	74	631	50
Trade and miscellaneous payables and other current liabilities	23)	9,473	265	6,588	163
Current income tax payables	11)	295	—	271	—
Current liabilities sub-total		16,364		11,167	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	(e)	16,364	—	11,167	—
Total Liabilities	(f=d+e)	47,148	—	44,394	—
Total Equity and Liabilities	(c+f)	69,187	—	73,234	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	notes	Year 2021	of which with related parties	Year 2020	of which with related parties
Revenues	25)	15,316	62	15,805	94
Other income		272	12	211	1
Total operating revenues and other income		15,588		16,016	
Acquisition of goods and services		(6,550)	(497)	(6,173)	(363)
Employee benefits expenses		(2,941)	(108)	(2,639)	(89)
Other operating expenses		(1,502)	(3)	(961)	(2)
Change in inventories		10	—	(6)	—
Internally generated assets		475	—	502	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		5,080		6,739	
<i>of which: impact of non-recurring items</i>	41)	<i>(1,143)</i>		<i>(324)</i>	
Depreciation and amortization		(4,490)	(50)	(4,616)	(39)
Gains/(losses) on disposals of non-current assets		1	—	(11)	—
Impairment reversals (losses) on non-current assets		(4,120)	—	(8)	—
Operating profit (loss) (EBIT)		(3,529)		2,104	
<i>of which: impact of non-recurring items</i>	41)	<i>(5,263)</i>		<i>(324)</i>	
Share of profits (losses) of associates and joint ventures accounted for using the equity method	8)	38	—	18	—
Other income (expenses) from investments		126	—	454	—
Finance income	35)	1,124	1	1,143	—
Finance expenses	35)	(2,274)	(18)	(2,322)	(15)
Profit (loss) before tax from continuing operations		(4,515)		1,397	
<i>of which: impact of non-recurring items</i>	41)	<i>(5,144)</i>		<i>121</i>	
Income tax expense	11)	(3,885)	—	5,955	—
Profit (loss) from continuing operations		(8,400)		7,352	
Profit (loss) from Discontinued operations/Non-current assets held for sale		—		—	
Profit/(Loss) for the year	36)	(8,400)		7,352	
<i>of which: impact of non-recurring items</i>	41)	<i>(8,653)</i>		<i>6,048</i>	
Attributable to:					
Owners of the Parent		(8,652)		7,224	
Non-controlling interests		252		128	

(euros)	Year 2021	Year 2020
Earnings per share:		
(Basic) Earnings per share		
Ordinary Share	(0.40)	0.34
Savings Share	(0.40)	0.35
<i>of which:</i>		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	(0.40)	0.34
Savings Share	(0.40)	0.35
Diluted earnings per share		
Ordinary Share	(0.40)	0.33
Savings Share	(0.40)	0.34
<i>of which:</i>		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	(0.40)	0.33
Savings Share	(0.40)	0.34

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 14

(million euros)

	Year 2021	Year 2020
Profit/(Loss) for the year	(8,400)	7,352
Other components of the Consolidated Statements 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	7	(4)
Income tax effect	—	—
(b)	7	(4)
Remeasurements of employee defined benefit plans (IAS19):		
Actuarial gains (losses)	(8)	6
Income tax effect	(3)	(1)
(c)	(11)	5
Share of other comprehensive income (losses) 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	(4)	1
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	28	5
Loss (profit) transferred to Separate Consolidated Income Statement	(6)	—
Income tax effect	—	—
(f)	22	5
Hedging instruments:		
Profit (loss) from fair value adjustments	658	(253)
Loss (profit) transferred to Separate Consolidated Income Statement	(365)	373
Income tax effect	(71)	(30)
(g)	222	90
Exchange differences on translating foreign operations:		
Profit (loss) on translating foreign operations	50	(1,612)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement	—	—
Income tax effect	—	—
(h)	50	(1,612)
Share of other comprehensive income (losses) 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	294	(1,517)
Total other components of the Consolidated Statements of Comprehensive Income	290	(1,516)
Total comprehensive income (loss) for the year	(8,110)	5,836
Attributable to:		
Owners of the Parent	(8,374)	6,199
Non-controlling interests	264	(363)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2020 to December 31, 2020

Equity attributable to owners of the Parent											
(million euros)	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	Total	Non-controlling interests	Total Equity
Balance at December 31, 2019	11,587	2,094	19	(440)	(1,417)	(124)	—	8,561	20,280	2,346	22,626
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(316)	(316)	(62)	(378)
Total comprehensive income (loss) for the year	—	—	1	90	(1,121)	5	—	7,224	6,199	(363)	5,836
Issue of equity instruments	1	39	—	—	—	—	—	3	43	—	43
INWIT - deconsolidation	—	—	—	—	—	—	—	—	—	(644)	(644)
Daphne 3 - capital increase	—	—	—	—	—	—	—	—	—	1,334	1,334
Other changes	—	—	—	—	—	—	—	9	9	14	23
Balance at December 31, 2020	11,588	2,133	20	(350)	(2,538)	(119)	—	15,481	26,215	2,625	28,840

Changes from January 1, 2021 to December 31, 2021 Note 14

Equity attributable to owners of the Parent											
(million euros)	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	Total	Non-controlling interests	Total Equity
Balance at December 31, 2020	11,588	2,133	20	(350)	(2,538)	(119)	—	15,481	26,215	2,625	28,840
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(318)	(318)	(55)	(373)
Total comprehensive income (loss) for the year	—	—	29	222	38	(11)	—	(8,652)	(8,374)	264	(8,110)
Issue of equity instruments	26	—	—	—	—	—	—	7	33	—	33
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	(98)	1,848	1,750
Daphne 3 - distribution of additional paid-in capital	—	—	—	—	—	—	—	—	—	(42)	(42)
Other changes	—	—	—	—	—	—	—	(44)	(44)	(15)	(59)
Balance at December 31, 2021	11,614	2,133	49	(128)	(2,500)	(130)	—	6,376	17,414	4,625	22,039

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)

	note s	Year 2021	Year 2020
Cash flows from operating activities:			
Profit (loss) from continuing operations		(8,400)	7,352
Adjustments for:			
Depreciation and amortization		4,490	4,616
Impairment losses (reversals) on non-current assets (including investments)		4,118	36
Net change in deferred tax assets and liabilities		3,894	(6,538)
Losses (gains) realized on disposals of non-current assets (including investments)		(120)	(441)
Share of profits (losses) of associates and joint ventures accounted for using the equity method		(38)	(18)
Change in provisions for employee benefits		(83)	(628)
Change in inventories		(39)	20
Change in trade receivables and other net receivables		257	484
Change in trade payables		337	(231)
Net change in income tax receivables/payables		(313)	708
Net change in miscellaneous receivables/payables and other assets/liabilities		233	1,191
Cash flows from (used in) operating activities	(a)	4,336	6,551
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(4,013)	(3,477)
Capital grants received		3	24
Acquisition of control of companies or other businesses, net of cash acquired		—	(7)
Acquisitions/disposals of other investments		(100)	(11)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(1,183)	(251)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		172	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets		4	678
Cash flows from (used in) investing activities	(b)	(5,117)	(3,077)
Cash flows from financing activities:			
Change in current financial liabilities and other		704	(1,461)
Proceeds from non-current financial liabilities (including current portion)		4,082	1,470
Repayments of non-current financial liabilities (including current portion)		(3,072)	(2,790)
Changes in hedging and non-hedging derivatives		103	—
Share capital proceeds/reimbursements (including subsidiaries)		(42)	1,164
Dividends paid(*)		(368)	(390)
Changes in ownership interests in consolidated subsidiaries		1,757	(2)
Cash flows from (used in) financing activities	(c)	3,164	(2,009)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	—	—
Aggregate cash flows	(e=a+b+c+d)	2,383	1,465
Net cash and cash equivalents at beginning of the year	(f)	4,508	3,202
Net foreign exchange differences on net cash and cash equivalents	(g)	13	(159)
Net cash and cash equivalents at end of the year	(h=e+f+g)	6,904	4,508
(*) of which from related parties:		51	36

Purchases of intangible, tangible and rights of use assets

(million euros)	notes	Year 2021	Year 2020
Purchase of intangible assets	5)	(1,886)	(1,197)
Purchase of tangible assets	6)	(2,665)	(2,138)
Purchase of rights of use assets	7)	(746)	(1,362)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(5,297)	(4,697)
Change in payables arising from purchase of intangible, tangible and rights of use assets		1,284	1,220
Total purchases of intangible, tangible and rights of use assets on a cash basis		(4,013)	(3,477)
(*) of which from related parties:		23	378

Additional Cash Flow information

(million euros)	Year 2021	Year 2020
Income taxes (paid) received	(242)	223
Interest expense paid	(1,440)	(1,520)
Interest income received	437	448
Dividends received	90	256

Analysis of Net Cash and Cash Equivalents

(million euros)	Year 2021	Year 2020
Net cash and cash equivalents at the start of the year:		
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 the end of the year:		
Cash and cash equivalents - from continuing operations	6,904	4,829
Bank overdrafts repayable on demand - from continuing operations	—	(321)
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	—	—
	6,904	4,508

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these consolidated financial statements.

NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the “**TIM Group**” (the “**Group**”).

TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company’s bylaws, extends until December 31, 2100.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group’s Consolidated Financial Statements at December 31, 2021, have been prepared on a going concern basis (further details are provided in the Note “Accounting Policies”) and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “**IFRS**”), as well as laws and regulations in force in Italy.

In 2021, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2021. See the Note “Accounting policies” for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets, which are measured at the fair value recognized in the other components of the comprehensive income, financial assets measured at fair value through the income statement, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect the changes in fair value of the hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2021 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2021 of the TIM Group was approved by resolution of the Board of Directors on March 02, 2022.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the “current and non-current” criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group’s industrial sector. In addition to EBIT or Operating profit (loss), the separate consolidated income statement includes the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors), as a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level).

EBIT and EBITDA 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	

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of properties, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory fines and related liabilities; other provisions and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.

Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources (for the TIM Group, the Board of Directors of the Parent) to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

In particular, the operating segments of the TIM Group are organized according to geographic location (Domestic and Brazil) for the telecommunications business.

The term "operating segment" is considered synonymous with "Business Unit".

The operating segments of the TIM Group are as follows:

- **Domestic:** includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group, which, at international level (Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the supply of passive access services to the secondary copper and fiber network, the business of Noovle S.p.A. (Cloud and Edge computing solutions), the business of Olivetti (products and services for Information Technology) and the units supporting the Domestic sector. See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

NOTE 2

ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2021 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months). In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
 - the changes in the general macroeconomic situation in the Italian, European and Brazilian market, including the effects deriving from the continued state of COVID-19 health emergency, as well as the volatility of financial markets in the Eurozone, partly following the UK's Brexit;
 - variations in business conditions, also related to competition;
 - changes to laws and regulations (price and rate variations);
 - outcomes of legal disputes and proceedings with regulatory authorities, competitors and other parties;
 - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized is disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the shareholders of the parent company and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any gain from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the shareholders of the parent company.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
 - the assets (including any goodwill) and the liabilities;
 - the carrying amount of any non-controlling interest;
- recognizes:
 - the fair value of any consideration received;
 - the fair value of any residual investment retained in the former subsidiary;
 - any gain or loss resulting from the transaction, in the separate consolidated income statement;
 - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

- a) the aggregate of:
- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
 - the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
 - in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;
- b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the relative amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are amortized/depreciated systematically over the estimated product or service life, so that the amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the relative asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

It is specified that starting January 1, 2021, the TIM Group has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the new contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expense" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (*Impairment of Assets*); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding

surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right-of-use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, this was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- **Hold to Collect:** receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category "Assets measured at amortized cost". These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- **Hold to Collect and Sell:** receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under the IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- **Hold to Collect:** financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- **Hold to Collect and Sell:** monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- **Hold to Sell:** monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as “financial assets measured at fair value through consolidated profit or loss” (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in “financial assets measured at fair value through other consolidated comprehensive income” (FVTOCI) as non-current or current assets.

The other investments classified as “financial assets measured at fair value through other comprehensive income” are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as “financial assets at fair value through profit or loss” are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value through profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group’s portfolio for a period of not more than 12 months, and are classified:

- as “financial assets measured at amortized cost” (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as “financial assets measured at fair value through other consolidated comprehensive income” (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated “Reserve for financial assets measured at fair value through other comprehensive income” is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as “financial assets measured at fair value through consolidated profit or loss” (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;
- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivative financial instruments

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the gain or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for fair value adjustment of hedging derivative instruments). The cumulative gain or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The gain or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in the value of liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39: the gains and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the gain or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or

- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contraentry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity, so calculated, is considered a "Defined benefit plan" and the related liability to be recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to expiry. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year said liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

When the effect of the time value is material and the payment date of the obligations can be reasonably estimated, the provision is determined by discounting the given expected cash flows by taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statement over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statement over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations:** the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price:** this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations:** the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).

For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;

- **recognition of revenues:** revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:

- **Revenues from services rendered**

Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.

Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.

Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.

Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.

The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time.
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.

Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income taxes include all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income taxes are calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income taxes are recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities / assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income taxes are levied by the same tax authority and when there is a legally enforceable offsetting right. Prepaid tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes, other than income taxes, are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	Accounting estimates
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and right of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right-of-use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.

Accruals, contingent liabilities and provisions for employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The accruals related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparts. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2021

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of the interest rates benchmark - Phase 2

On January 13, 2021, Regulation (EU) no. 2021/25 was issued, which incorporated a set of amendments to the IFRSs relating to the reform of the interbanking rates offered (IBOR) and other interest rate benchmarks. The amendments aim to help the entities to provide investors with useful information on the effects of the reform on the entities' financial statements.

The amendments integrate those issued in 2019 and focus on the effects of the financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate following the reform.

The changes during this final phase regard:

- a. changes to contractual cash flows - an entity shall not eliminate or rectify the carrying amount of the financial instruments following the amendments required by the reform, but must instead add the effective interest rate to reflect the change in the alternative benchmark rate;
- b. hedge accounting - an entity shall not stop booking the hedges only because the changes have been made to the hedging documentation as required by the reform, if the hedge continues to meet the other criteria for booking the hedge;
- c. disclosure: an entity shall disclose information on the new risks deriving from the reform and on how it manages the transition to alternative benchmark rates.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2021.

Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond June 30, 2021

On August 30, 2021, Regulation (EU) 2021/1421 was issued, endorsing the extension by one year of the period of application of the practical expedient of IFRS 16 Leases, to assist lessees in accounting for COVID-19-related rent concessions.

In response to requests from interested parties, and because the COVID-19 pandemic is still at its peak, the IASB has extended, by an additional year, this method of accounting for rental concessions that reduce only lease payments due by June 30, 2022.

The original amendment was issued in May 2020 to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of the COVID-19 pandemic. The amendment takes effect for financial years starting on or after April 1, 2021.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2021.

New Standards and Interpretations issued by the IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force and have not yet been endorsed by the EU:

	Mandatory application starting from
New Standards / Interpretations endorsed by the EU but not yet in force	
Amendments to: IFRS 3 Business combinations; IAS 16 Property, Plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual cycle of improvements 2018-2020	1/01/2022
Amendments to IAS 1 Presentation of Financial Statements: Disclosure on accounting policies	1/01/2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates	1/01/2023
New Standards and Interpretations not yet in force and not yet endorsed by the EU	
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	1/01/2023
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1/01/2023

The potential impacts on the Group consolidated financial statements from the application of these standards and interpretations are currently being assessed.

* * *

During the fourth quarter of 2021, TIM refined some aspects of the booking of certain commercial agreements concerning the sale of goods with deferred delivery. This refinement entailed, for the first, second and third quarters of 2021, the redetermination of the distribution over time of revenues and acquisition of goods and services, for the purpose of the 2020 financial statements such commercial agreements had no material effect.

In connection with the foregoing, the economic data of the first, second and third quarters of 2021, has been recalculated. The impacts on the items of the income statements for the quarters of 2021 deriving from these refinements, are as follows:

(million euros)

	2021		
	1st Quarter	2nd Quarter	3rd Quarter
Revenues	(24)	—	(39)
Acquisition of goods and services	7	—	11
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(17)	—	(28)
Operating profit (loss) (EBIT)	(17)	—	(28)
Profit (loss) before tax from continuing operations	(17)	—	(28)
Income tax expense	5	—	8
Profit (loss) for the period	(12)	—	(20)
<i>Attributable to:</i>			
Owners of the Parent	(12)	—	(20)
Non-controlling interests	—	—	—

Cumulative net impacts on equity balances were as follows:

(million euros)

	as at 3/31/2021	as at 6/30/2021	as at 9/30/2021
Current and non-current assets			
Trade and miscellaneous receivables and other current assets	(24)	(24)	(63)
Total Assets	(24)	(24)	(63)
Equity			
Equity attributable to owners of the Parent	(12)	(12)	(32)
Total Equity	(12)	(12)	(32)
Non-current and current liabilities			
Deferred tax liabilities	(5)	(5)	(13)
Trade and miscellaneous payables and other current liabilities	(7)	(7)	(18)
Total Equity and Liabilities	(24)	(24)	(63)

The redetermination of the distribution over time of revenues from acquisition of goods and services during the first, second and third quarters of 2021 did not have any impact on the “Aggregate cash flows” of the TIM Group’s statements of cash flows and, in particular, on the “Cash flows from (used in) operating activities”.

NOTE 3

SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation. A complete list of consolidated subsidiaries is provided in the Note "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2021 compared to December 31, 2020 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
PANAMA DIGITAL GATEWAY S.A.	New establishment	Domestic	July 2021
TIM SERVIZI DIGITALI S.p.A.	New establishment	Domestic	July 2021
STAER SERVIZI S.r.l.	New acquisition	Domestic	September 2021
OLIVETTI PAYMENT SOLUTIONS S.p.A.	New establishment	Domestic	December 2021
Exit:			
I-SYSTEMS S.A. (formerly FIBERCO SOLUÇÕES DE INFRAESTRUTURA S.A.)	Dilution	Brazil	November 2021
Mergers:			
FLASH FIBER S.r.l.	Merged into FIBERCO S.p.A.	Domestic	March 2021
TIM TANK S.r.l.	Merged into TELECOM ITALIA VENTURES	Domestic	April 2021
NOOVLE FRANCE Sasu	Merged into NOOVLE S.r.l.	Domestic	July 2021
NOOVLE S.r.l.	Merged into NOOVLE S.p.A.	Domestic	October 2021

The breakdown by number of subsidiaries and associates of the TIM Group is as follows:

Companies:	12/31/2021		Total
	Italy	Overseas	
subsidiaries consolidated line-by-line	20	45	65
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	34	46	80

Companies:	12/31/2020		Total
	Italy	Overseas	
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	10	—	10
Total companies	32	46	78

Further details are provided in the Note "List of companies of the TIM Group".

Subsidiaries with a significant non-controlling interest

At December 31, 2021, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A., Daphne3 S.p.A. and the TIM Brazil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2021 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12/31/2021	12/31/2020
Non-current assets	8,441	—
Current assets	471	—
Total Assets	8,912	—
Non-current liabilities	3,293	—
Current liabilities	551	—
Total Liabilities	3,844	—
Equity	5,068	—
<i>of which Non-Controlling Interests</i>	<i>2,129</i>	<i>—</i>

FiberCop S.p.A. - income data

(million euros)	2021	2020
Revenues	978	—
Profit (loss) for the year	321	—
<i>of which Non-Controlling Interests</i>	<i>135</i>	<i>—</i>

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2021 amounted to 75 million euros.

Daphne 3 S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2021 for 49.0% of the capital of Daphne 3 S.p.A., coinciding with the corresponding voting rights.

Daphne 3 S.p.A. - financial position data

(million euros)	12/31/2021	12/31/2020
Non-current assets	2,746	2,746
Current assets	1	—
Total Assets	2,747	2,746
Non-current liabilities	1	—
Current liabilities	—	—
Total Liabilities	1	—
Equity	2,746	2,746
<i>of which Non-Controlling Interests</i>	<i>1,346</i>	<i>1,345</i>

Daphne 3 S.p.A. - income data

(million euros)	2021	2020
Revenues	—	—
Profit (loss) for the year	86	—
<i>of which Non-Controlling Interests</i>	<i>42</i>	<i>—</i>

Daphne 3 S.p.A. - financial data

Aggregate cash flows generated in 2021 amounted to 1 million euros (0.1 million euros in 2020).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2021 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12/31/2021	12/31/2020
Non-current assets	5,787	5,246
Current assets	2,476	1,662
Total Assets	8,263	6,908
Non-current liabilities	2,159	1,558
Current liabilities	1,751	1,339
Total Liabilities	3,910	2,897
Equity	4,353	4,011
<i>of which Non-Controlling Interests</i>	<i>1,345</i>	<i>1,232</i>

Income statement data TIM Brasil group

(million euros)	2021	2020
Revenues	2,840	2,933
Profit (loss) for the year	455	297
<i>of which Non-Controlling Interests</i>	<i>155</i>	<i>104</i>

Financial data of the TIM Brasil group

In 2021 aggregate cash flows generated 416 million euros, with a positive exchange rate effect of 6 million euros.

In 2020, this was negative for 93 million euros, with a negative exchange rate of 151 million euros.



Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - “Main risks and uncertainties” section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks associated with litigation and disputes);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4

GOODWILL

Goodwill shows the following breakdown and changes for 2020 and 2021:

(million euros)	12/31/2019	Increase	Decrease	Impairments	Exchange differences	12/31/2020
Domestic	22,231	11		—	—	22,242
Brazil	852				(247)	605
Other Operations	—					—
Total	23,083	11	—	—	(247)	22,847

(million euros)	12/31/2020	Increase	Decrease	Impairments	Exchange differences	12/31/2021
Domestic	22,242	2		(4,120)		18,124
Brazil	605		(165)		4	444
Other Operations	—					—
Total	22,847	2	(165)	(4,120)	4	18,568

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on at least an annual basis, when preparing the company's consolidated financial statements.

In 2021, Goodwill fell by 4,279 million euros, from 22,847 million euros at the end of 2020 to 18,568 million euros at December 31, 2021.

More specifically, goodwill for the Domestic Cash Generating Unit drops by 4,120 million euros as a result of the impairment following testing performed at December 31, 2021.

The change for 2021 also includes:

- with reference to the Brazil Cash Generating Unit, a decrease of 165 million euros following the deconsolidation of I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.), a company set up by the Brazilian subsidiary TIM S.A. for the segregation of its network assets and the provision of infrastructure services. The deconsolidation is a consequence of the completion, in November 2021, of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. which resulted in the dilution from 100% to 49% of TIM S.A.'s investment in I-Systems S.A.. I-Systems S.A. is now accounted for using the equity method. In addition, the item increased by 4 million euros due to the positive exchange rate difference relating to the Goodwill of the Cash Generating Unit;
- with reference to the Domestic Cash Generating Unit, an increase of 2 million euros relating to the recognition of provisional goodwill connected with the acquisition by Olivetti S.p.A. of 100% of Staer Sistemi S.r.l. completed in September 2021.

The gross carrying amounts of goodwill and the relative accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs) to December 31, 2021 and 2020 can be summarized as follows:

(million euros)	12/31/2021			12/31/2020		
	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Domestic	38,689	(20,565)	18,124	38,687	(16,445)	22,242
Brazil	591	(147)	444	751	(146)	605
Other Operations	—	—	—	—	—	—
Total	39,280	(20,712)	18,568	39,438	(16,591)	22,847

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the carrying amount of goodwill for the CGU corresponds, at December 31, 2021, to 2,803 million reais (3,854 million reais at December 31, 2020).

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, the Group's activities were considered as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the “recoverable value” of the CGUs was equal to the higher of “fair value net of disposal costs” and “value in use”.

At December 31, 2020, the value configuration used to determine the recoverable amount of the Domestic CGU was the value in use. The value configuration instead used to determine the recoverable amount at December 31, 2021 of the Domestic CGU is the fair value estimated on the basis of the income approach, insofar as this is considered able to best maximize the value of the Group’s activities (the “market participant perspective”), also reflecting interventions on costs in view of a potential future new, different business structure.

For the Brazil CGU, the value configured used is the fair value on the basis of market capitalization at the end of the period.

The values are expressed in local currency, and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For the Brazil CGU, the recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

For the Domestic CGU, the estimate of fair value on the basis of the income approach was prepared in compliance with IAS 36, valuation principles and best practice, with reference to the flows of the 2022-2024 Industrial Plan, which is based on the final results of 2021: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at 12.31.2021. The expected cash flows reported in the 2022-2024 Industrial Plan approved by the Board of Directors have been critically analyzed and, with the support of expert and industrial appraisers, the average representativity has been assessed. Expected average cash flows for the 2022-2024 Industrial Plan were extrapolated for an additional two years, for which future cash flows were explicitly forecast for a period of five years (2022-2026). The extrapolation of data for 2025-2026 was necessary in order to intercept market, competition and industrial trends that will become manifest beyond the time horizon of the Industrial Plan to be captured. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

As regards the estimate of the terminal value, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2026, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the payment of the license and the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

The cost of capital used to discount the future cash flows in the estimates of fair value for the Domestic CGU:

- was estimated using the Capital Asset Pricing Model (CAPM), which is one of the generally accepted application criteria referred to in IAS 36;
- reflects current market estimates of the time value of money and the specific risks associated with the asset groups; includes appropriate yield premiums for country risk;
- was calculated using comparative market parameters to estimate the “Beta coefficient” and the weighting coefficient of the equity and debt capital components;

For the Domestic CGU it was as follows:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic
WACC	5.12 %
WACC before tax	6.71 %
Growth rate beyond the explicit period (g)	0.35 %
Capitalization rate after tax (WACC-g)	4.77 %
Capitalization rate before tax (WACC-g)	6.36 %
Capex/Revenues, perpetual	15.75 %

The growth rate in the terminal value “g” of the Domestic CGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiaries Noovle and FiberCop. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The recoverable amount determined on the basis of the Fair Value estimated on the basis of the income approach, highlighted a value reduction of 4,120 million euros of goodwill attributed to the Domestic Cash Generating Unit.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	-4,120	+527

Therefore, in light of the foregoing, in 2021, impairment was seen in the amount of -4,120 million euros relative to the Domestic CGU, while the goodwill values booked in relation to the Brazil CGU are confirmed, showing a positive difference of +527 million euros between the book value and the fair value calculated on the basis of market cap at December 31, 2021.

Relative to the Domestic CGU, a structural deterioration of the relevant parameters and notably the WACC may call for further impairment.

With regard to the Brazil CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -10.5%.

The second level impairment test, net of the impairment recorded on the Domestic CGU, revealed a recoverable amount that exceeded the book value of the Group's business as a whole, thereby not showing any further need for impairment.

NOTE 5

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

This item increased by 407 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2019	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2020
Industrial patents and intellectual property rights	2,100	649	(1,152)			(195)	387	1,789
Concessions, licenses, trademarks and similar rights	4,398	6	(473)			(288)	2	3,645
Other intangible assets	3		(2)			(1)	4	4
Work in progress and advance payments	1,166	542			(1)	(12)	(393)	1,302
Total	7,667	1,197	(1,627)	—	(1)	(496)	—	6,740

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Industrial patents and intellectual property rights	1,789	731	(1,043)			4	452	1,933
Concessions, licenses, trademarks and similar rights	3,645	191	(466)			6		3,376
Other intangible assets	4	1	(2)					3
Work in progress and advance payments	1,302	963			(3)	3	(430)	1,835
Total	6,740	1,886	(1,511)	—	(3)	13	22	7,147

Investments in 2021 amounted to 1,886 million euros (1,197 million euros in 2020) and included 216 million euros in internally generated assets (231 million euros in 2020). Further details are provided in the Note "Internally generated assets".

Industrial patent rights and intellectual property rights as of December 31, 2021 are essentially represented by application and plant operation software purchased outright and with user licenses, they are amortized over a period of between 2 and 6 years and mainly refer to TIM S.p.A. (1,280 million euros), the Brazil Business Unit (392 million euros) and Noovle S.p.A. (163 million euros).

In 2021, for the Parent Company TIM S.p.A., the launch of the Digital Enterprise project demonstrated the need to verify the actual and future duration of the systems impacted. Therefore, IT applications were analyzed and it was verified that their actual lifecycle amounts to around 6 years. Thus, the amortization period was revised for both fixed and mobile IT software development assets, increasing it from 3 to 6 years. In 2021, this had an impact of around 115 million euros in lesser amortization. In 2022 and 2023 the estimated impact, calculated on the stock of assets at December 31, 2021, amounts to around 69 million euros and around 2 million euros, respectively in lesser amortization.

Concessions, licenses, trademarks and similar rights at December 31, 2021 mainly refer to the residual cost of telephone licenses and similar rights (2,620 million euros for TIM S.p.A. and 716 million euros for the Brazil Business Unit). Compared to December 31, 2020, this item showed a decrease of 269 million euros mainly due to amortization for the year (466 million euros) partially offset by investments for the year (191 million euros) essentially related to the recognition of the value of the 2.3 MHz and 26 GHz frequencies that the TIM Brasil group was awarded in November 2021 and thanks to which it will be able to offer 4G and 5G mobile services. The assignment of the rights to use these frequencies also entailed commercial commitments toward a new entity (EACE- Entidade Administradora da Conectividade de Escolas) which will be responsible for the development of some connectivity projects for Brazilian schools.

The residual amount of telephone licenses and similar rights in operation at December 31, 2021 (3,336 million euros) and their useful lives are detailed below:

Type	Residual amount at 12/31/2021 (million euros)	Useful life (years)	Maturity	Amortization expense for 2021 (million euros)
TIM S.p.A.:				
UMTS	—	18	12/31/2021	134
UMTS 2100 MHz	—	12	12/31/2021	7
WiMax	1	15	05/31/2023	1
LTE 1800 MHz	68	18	12/31/2029	9
LTE 800 MHz	480	17	12/31/2029	60
LTE 2600 MHz	53	17	12/31/2029	7
1452-1492 MHz band	132	14	12/31/2029	16
900 and 1800 MHz band	438	11	12/31/2029	55
3600-3800 MHz band (5G)	1,420	19	12/31/2037	89
26.5-27.5 GHz band (5G)	28	19	12/31/2037	2
TIM Brasil group:				
GSM and 3G (UMTS)	34	15	From 2023 to 2031	20
4G (LTE - 700 MHz)	494	15	2030	62
5G (2.3 GHz and 26 GHz)	188	20	2041	—

Work in progress and advance payments mainly relate to:

- the Parent Company in the amount of 1,375 million euros, including 680 million euros relating to the rights to use the 694-790 MHz (5G) frequencies held by TIM S.p.A. not yet operating and 240 million euros relating to the extension, to December 31, 2029, of the expiry date of the rights to use the 2100 MHz frequency, originally scheduled for December 31, 2021;

- the Brazil Business Unit for 406 million euros, of which 379 million euros relating to the recognition of the value of the 3.5 GHz frequencies that the TIM Brasil group was awarded in November 2021 and thanks to which it will be able to implement mobile services with 5G technology. The allocation of the rights to use these frequencies also entailed commercial commitments toward Empresa Administradora da Faixa (EAF), which will be responsible for the development of infrastructure projects.

The item also includes work in progress mainly related to software developments and investments for the digital evolution of Network Infrastructures.

Depreciation and impairment losses have been recorded in the income statement as components of EBIT.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2021 and December 31, 2020 can be summarized as follows:

(million euros)	12/31/2020			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	10,852	—	(9,06)	1,789
Concessions, licenses, trademarks and similar rights	8,100	—	(4,45)	3,645
Other intangible assets	460	—	(45)	4
Work in progress and advance payments	1,302	—		1,302
Total intangible assets with a finite useful life	20,714	—	(13,97)	6,740

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	11,605	—	(9,67)	1,933
Concessions, licenses, trademarks and similar rights	8,304	—	(4,92)	3,376
Other intangible assets	464	—	(46)	3
Work in progress and advance payments	1,835	—		1,835
Total intangible assets with a finite useful life	22,208	—	(15,06)	7,147

With regard to the gross carrying amounts of intangible assets with a finite useful life, in 2021, disposals of 442 million euros were made by the Parent Company, relating to intellectual property rights, fully amortized, which mainly concerned releases that were obsolete following the introduction of the new ERP S4HANA software system.

NOTE 6

TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 170 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2019	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2020
Land	226	9			(3)	(3)		229
Buildings (civil and industrial)	577	18	(35)		(1)	(5)	23	577
Plant and equipment	11,974	1,491	(2,115)		(7)	(623)	486	11,206
Manufacturing and distribution equipment	26	4	(11)				3	22
Other	350	102	(140)		(1)	(36)	34	309
Construction in progress and advance payments	858	514		(8)	(2)	(34)	(530)	798
Total	14,011	2,138	(2,301)	(8)	(14)	(701)	16	13,141

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Land	229	2					1	232
Buildings (civil and industrial)	577	23	(35)				32	597
Plant and equipment	11,206	1,885	(2,095)		(30)	21	267	11,254
Manufacturing and distribution equipment	22	4	(9)				2	19
Other	309	121	(145)			1	81	367
Construction in progress and advance payments	798	630	0			2	(588)	842
Total	13,141	2,665	(2,284)	—	(30)	24	(205)	13,311

Land comprises both built-up land and available land and is not subject to depreciation. The figure at December 31, 2021 refers primarily to TIM S.p.A. (187 million euros) and Noovle (32 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2021 is mainly attributable to TIM S.p.A. (438 million euros) and Noovle S.p.A. (131 million euros).

The item **Plant and machinery** includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The figure at December 31, 2021 is mainly attributable to TIM S.p.A. (5,911 million euros), to FiberCop S.p.A. (3,469 million euros) and to the Brazil Business Unit (1,501 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A..

The item **Other** mainly consists of hardware for the functioning of the Data Center and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Tangible assets in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

2021 investments include 259 million euros of internally generated assets (271 million euros in 2020); further details are provided in the Note "Internally generated assets".

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2021 and 2020 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 5.55%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	20%
Other	10% - 50%

Furthermore, in 2021 depreciation included the estimated acceleration of depreciation as a consequence of both the switch-off of 3G in Italy, expected for June 2022 (equal to approximately 23 million euros) and the switch-off of part of the copper access network in Italy, hypothesized for end 2030 (equal to 31 million euros).

Other changes included 192 million euros relating to the deconsolidation of the Brazilian company I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.).

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2021 and December 31, 2020 can be summarized as follows:

(million euros)	12/31/2020			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	232	(3)		229
Buildings (civil and industrial)	1,907	—	(1,330)	577
Plant and equipment	69,814	(12)	(58,596)	11,206
Manufacturing and distribution equipment	324	(1)	(301)	22
Other	3,152	(2)	(2,841)	309
Construction in progress and advance payments	806	(8)		798
Total	76,235	(26)	(63,068)	13,141

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	1,960	—	(1,363)	597
Plant and equipment	70,535	(12)	(59,269)	11,254
Manufacturing and distribution equipment	330	(1)	(310)	19
Other	3,305	(2)	(2,936)	367
Construction in progress and advance payments	844	(2)		842
Total	77,209	(20)	(63,878)	13,311

With regard to the gross carrying amounts of tangible assets, it is worth mentioning that in 2021, the Parent Company TIM S.p.A. carried out disposals for a total value of 535 million euros, mainly in relation to fully depreciated assets. The assets most affected were: access networks (155 million euros), switching systems (148 million euros), UMTS transmission plants and network transmission devices (71 million euros), underground fiber optic (57 million euros), office furniture, furnishings and machines (42 million euros) and rented terminals (31 million euros).

NOTE 7

RIGHTS OF USE ASSETS

The item decreased by 145 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2019	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2020
Property	3,398	12	869	(397)	(112)	(129)	(730)	2,911
Plant and equipment	1,901	30	396	(252)	(234)	(335)	403	1,909
Other tangible assets	151		23	(39)	(4)	(2)	(8)	121
Construction in progress and advance payments	44	32					(25)	51
Total	5,494	74	1,288	(688)	(350)	(466)	(360)	4,992

(million euros)	12/31/2020	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2021
Property	2,911	35	298	(343)	(14)	4	(43)	2,848
Plant and equipment	1,909	25	328	(314)	(5)	11	(107)	1,847
Other tangible assets	121		35	(37)	(2)		2	119
Construction in progress and advance payments	51	19	2				(42)	30
Intangible assets			4	(1)				3
Total	4,992	79	667	(695)	(21)	15	(190)	4,847

2021 capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2021, equal to 667 million euros, refer in particular to the Brazil Business Unit (441 million euros) and the Domestic Business Unit (226 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes included, inter alia, transfers to operating activities and the lower value of the rights of use recorded as a result of contractual changes during the year. In 2021 they mainly refer to the Brazil Business Unit.

The item **Property** includes buildings and land under passive leases and the related building adaptations, essentially attributable to the Parent Company (2,415 million euros) and the Brazil Business Unit (324 million euros) and Noovle S.p.A. (89 million euros).

The item **Plant and equipment** mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (928 million euros), the Parent (610 million euros), the Telecom Italia Sparkle group (184 million euros) and FiberCop S.p.A. (124 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

The item **Other tangible assets** mainly comprises the leases on motor vehicles. In addition, the right of use for the lease of the business unit relating to all the assets organized for the full performance of the "construction", "delivery" and "assurance" activities for telecommunications networks and equipment, deriving from the contract entered into between TIM Servizi Digitali S.p.A. and Sittel S.p.A., is recorded herein for an amount of 17 million euros. The corresponding financial lease liability for the obligation to comply with the contractual payments is recorded against the right of use.

The item **Intangible assets** includes the recording as lease, starting 2021, of a Software as a Service (SaaS) contract, in exchange for which TIM S.p.A. has acquired the right to make exclusive use of software licenses residing on partitions of third party hardware platforms dedicated exclusively to the Company.

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2021 and December 31, 2020 can be summarized as follows:

(million euros)	12/31/2020			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,075	(13)	(2,151)	2,911
Plant and equipment	3,047	(271)	(867)	1,909
Other	267		(146)	121
Construction in progress and advance payments	51			51
Total	8,440	(284)	(3,164)	4,992

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,327	(13)	(2,466)	2,848
Plant and equipment	3,304	(277)	(1,180)	1,847
Other	291		(172)	119
Construction in progress and advance payments	30			30
Intangible assets	4	—	(1)	3
Total	8,956	(290)	(3,819)	4,847

Impairment losses on "Plant and equipment", mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to the gross values of rights of use of third party assets, in 2021 the Parent Company TIM S.p.A. carried out disposals for a total value of 650 million euros, relating to rights of use of IRU fiber (607 million euros), leased properties (25 million euros), leased vehicles (9 million euros), base transceiver stations (7 million euros) and leasehold improvements (2 million euros).

NOTE 8

INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

Investments in associates and joint ventures accounted for using the equity method are reported below in detail.

(million euros)		12/31/2021	12/31/2020
I-Systems S.A.		253	—
Satisfay S.p.A.		20	—
NordCom S.p.A.		6	5
W.A.Y. S.r.l.		4	4
QTI S.r.l.		2	—
Tiglio I S.r.l.		—	1
Other		3	3
Total Associates	(a)	288	13
INWIT S.p.A.		2,669	2,713
TIMFin S.p.A.		22	2
Total Joint Ventures	(b)	2,691	2,715
Total investments accounted for using the equity method	(a+b)	2,979	2,728

The changes in this item are broken down as follows:

(million euros)	12/31/2019	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2020
NordCom S.p.A.	5					5
W.A.Y. S.r.l.	3			1		4
Tiglio I S.r.l.	1			—		1
Other	2	1				3
Total Associates	11	1		1	—	13
INWIT S.p.A.	—		(659)	(238)	3,610	2,713
TIMFin S.p.A.	—	3		(1)		2
Total Joint Ventures	—	3	(659)	(239)	3,610	2,715
Total investments accounted for using the equity method	11	4	(659)	(238)	3,610	2,728

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2021
I-Systems S.A.				(2)	255	253
Satisfay S.p.A.		20				20
NordCom S.p.A.	5		1			6
W.A.Y. S.r.l.	4					4
QTI S.r.l.		2				2
Tiglio I S.r.l.	1		(1)			—
Other	3	1			(1)	3
Total Associates	13	23	(1)	(1)	254	288
INWIT S.p.A.	2,713			(44)		2,669
TIMFin S.p.A.	2	24		(4)	—	22
Total Joint Ventures	2,715	24	—	(48)	—	2,691
Total investments accounted for using the equity method	2,728	47	(1)	(49)	254	2,979

The “other changes” for 2021 mainly include the carrying amount of the investment in I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.) following the deconsolidation of the company.

In November 2021, once the regulatory authorization process had been completed, the agreement was finalized between TIM S.A. (Brazil Business Unit) and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. ("IHS Brasil"), in order to acquire an equity stake in FiberCo Soluções de Infraestrutura S.A. ("FiberCo"), a company established by TIM S.A. for the segregation of network assets and the provision of infrastructure services. The closing of the transaction resulted in the dilution from 100% to 49% of TIM S.A.'s investment in I-Systems, which is now accounted for by the TIM Group using the equity method.

Shareholder relations are governed by a shareholders' agreement.

The operation was worth 1.68 billion reais, divided up into a primary component of 0.58 billion reais, for the treasury of I-Systems, and a secondary component of 1.10 billion reais, paid to TIM S.A.. The enterprise value of I-Systems was established at 2.71 billion reais and the equity value, after the contribution of the primary component, was set at 3.29 billion reais. The operation also considers possible additional earnings deriving from an earn-out component.

In addition, under the scope of the Operation, TIM S.A. and I-Systems have stipulated an agreement to develop the Fiber-to-the-Site (FTTS) infrastructure to connect TIM sites in the areas in which FiberCo will be developing the new infrastructure granting access to fiber optic broadband.

The "Investments" for 2021 include both the acquisition of the stake in Satispay by TI Ventures S.r.l. in March 2021, and the payments, by TIM S.p.A., to TIMFin S.p.A.

In 2021, "valuation using the equity method" of the investment in INWIT includes:

- the portion pertaining to the positive economic result of the investee including, the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (43 million euros) has been allocated;
- the reduction in the carrying amount of the equity investment for dividends received in the year (87 million euros).

Following a series of operations carried out last year, at present, TIM holds a 30.2% share in INWIT S.p.A. indirectly, through a holding company called Daphne 3, controlled with a 51% stake. The associate in the holding company is a consortium of institutional investors led by Ardian. The holding company has taken over from TIM - in the shareholders' agreement already stipulated between TIM and Vodafone Europe, by virtue of which, joint control is exercised over INWIT.

Essential information on the shareholders' agreements (i) between TIM and Vodafone (now Daphne 3/Central Tower Holding Company) and (ii) between TIM and Ardian can be consulted on the INWIT website (inwit.it).

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12/31/2019	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2020
Fin.Priv. S.r.l.	21			(5)		16
Northgate CommsTech Innovations Partners L.P.	19	6				25
Other	12	1		—		13
Total	52	7	—	(5)	—	54

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2021
Fin.Priv. S.r.l.	16			6		22
Northgate CommsTech Innovations Partners L.P.	25	1		(9)		17
UV T-Growth		12				12
SECO S.p.A.		38		54		92
Other	13					13
Total	54	51	—	51	—	156

In particular, it should be noted that, during the year 2021:

- the subsidiary Olivetti S.p.A. acquired 9.6% of the share capital of SECO S.p.A., the company specialized in the miniaturization of computers and in the Internet of Things sector;
- TIM S.p.A. has subscribed shares in the UV T-Growth venture capital fund for 12 million euros.

At December 31, 2021, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 8 million USD, equal to approximately 7 million euros at the exchange rate as at December 31, 2021;
- of the UV T-Growth fund in the amount of 48 million euros.

As permitted by IFRS 9, TIM now measures Other Investments at "fair value through other comprehensive income (FVTOCI)".

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 9

NON-CURRENT AND CURRENT FINANCIAL ASSETS

Non-current and current financial assets were broken down as follows:

(million euros)	12/31/2021	12/31/2020
Other non-current financial assets		
Securities other than investments	—	—
Receivables from employees	39	40
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1,935	1,970
Non-hedging derivatives	100	44
Other financial receivables	211	213
	2,285	2,267
Financial receivables for lease contracts	45	43
Total non-current financial assets (a)	2,330	2,310
Securities other than investments, other financial receivables and other current financial assets		
Securities other than investments		
Measured at amortized cost (AC)	—	—
Measured at fair value through other comprehensive income (FVTOCI)	1,515	767
Measured at fair value through profit or loss (FVTPL)	734	325
	2,249	1,092
Financial receivables and other current financial assets		
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)	—	—
Receivables from employees	12	13
Hedging derivatives relating to hedged items classified as current financial assets/liabilities	80	97
Non-hedging derivatives	41	50
Other short-term financial receivables	9	2
	142	162
	(b) 2,391	1,254
Financial receivables for lease contracts (c)	56	55
Cash and cash equivalents (d)	6,904	4,829
Total current financial assets e=(b+c+d)	9,351	6,138
Financial assets relating to Discontinued operations/Non-current assets held for sale (f)	—	—
Total non-current and current financial assets g=(a+e+f)	11,681	8,448

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;

- commercial offers for TIM Consumer and Business customers involving the rental of ADSL routers;
- agreements for the sale of network infrastructure in IRU with deferred collection over time recognized using the financial method envisaged by IFRS 16 given the contractual term substantially close to the economic life of the asset;
- lease contracts for commercial products with customers. The financial receivables for lease assets are offset by the financial debt for the corresponding leases payable.

Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature mainly refer to the mark-to-market spot valuation component of the hedging derivatives, whereas **hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature** refer to accrued income on such derivative contracts.

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 72 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.p.A. entertains commercial relations. The figure also includes IRS derivatives of 18 million euros belonging to fair value hedges of bond loans in euros, discontinued starting from June 2021 due to the failure of the prospective efficiency tests carried out at December 31, 2021.

Further details are provided in the Note “Derivatives”.

Other financial receivables refer 205 million euros to the loan that TIM S.p.A. is owed by Ardian (through the financial vector Impulse I) following the transaction by means of which TIM S.p.A. conferred 30.2% of INWIT's shares to Daphne 3.

Securities other than investments included in current financial assets relate to:

- 1,515 million euros of listed securities, of which 840 million euros of Italian and European treasury bonds purchased by Telecom Italia Finance S.A. as well as 675 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in “Sovereign debt securities”, have been made in accordance with the Guidelines for the “Management and control of financial risk” adopted by the TIM Group;
- 734 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 03/01/2023 and 150 million euros of BTP 04/15/2021; starting December 1, 2019, TIM S.p.A. loans these securities to the counterparty NatWest.

On January 27, 2021, TIM S.p.A. renewed the securities lending agreement in place with Telecom Italia Finance S.A., which envisages the lending until February 15, 2023 of 98 million euros (nominal) of BTP 3/1/2023.

On January 29, 2021, TIM S.p.A. borrowed until October 5, 2023 (subject to renewal) 24 million euros (nominal) in BTP 10/15/2023 and 67.5 million euros (nominal) in BTP 2/1/2026; furthermore TIM S.p.A. lent the counterparty NatWest said securities in compliance with the agreement stipulated on December 21, 2020.

In addition, Telecom Italia Finance S.A. also has additional securities lending contracts with banking counterparties concerning securities worth (a nominal) 171 million euros.

From an accounting standpoint, in compliance with IAS/IFRS, the assets are shown exclusively in the financial statements of Telecom Italia Finance S.A., which retains the risks and benefits associated with the position.

Further details are provided in the Note “Accounting policies”.

Cash and cash equivalents increased by 2,075 million euros compared to December 31, 2020 and were broken down as follows:

(million euros)	12/31/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	6,092	4,433
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	812	396
Total	6,904	4,829

The different technical forms of use of available cash at December 31, 2021 had the following characteristics:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating of at least BBB according to Standard & Poor's with regard to Europe, and with leading local counterparts with regard to investments in South America;
- country risk: deposits have been made mainly in major European financial markets.

Securities other than investments (due within 3 months) included 812 million euros (395 million euros at December 31, 2020) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

NOTE 10

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

Compared to December 31, 2020, this item increased by 152 million euros and were broken down as follows:

(million euros)		12/31/2021	of which Financial Instruments	12/31/2020	of which Financial Instruments
Miscellaneous receivables (non-current)	(a)	433	144	516	151
Other non-current assets					
Deferred contract costs		1,755		1,522	
Other cost deferrals		78		76	
	(b)	1,833		1,598	
Total	(a+b)	2,266	144	2,114	151

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Miscellaneous non-current receivables totaled 433 million euros (516 million euros at December 31, 2020) and included Non-current income tax receivables of 147 million euros (64 million euros at December 31, 2020).

This item was mainly due to the Brazil Business Unit (379 million euros; 467 million euros at December 31, 2020).

More specifically, at December 31, 2021, the Brazil Business Unit has non-current receivables relating to indirect tax for 137 million euros (296 million euros at December 31, 2020) and direct tax for 116 million euros (33 million euros at December 31, 2020), including receivables relating to the decision made by the Supreme Federal Court (STF) on the waiver of collection of corporate income tax (IRPJ) and social contributions (CSLL) on the monetary recalculation that uses the SELIC rate in cases of undue payment.

Non-current receivables also include receivables for court deposits of 116 million euros (126 million euros at December 31, 2020).

Other non-current assets amounted to 1,833 million euros (1,598 million euros at December 31, 2020). They mainly break down as follows:

- **Deferred contract costs** of 1,755 million euros (1,522 million euros at December 31, 2020), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contract costs are deferred and recognized through separate profit or loss depending on the expected term of the contractual relationship with the customers. In 2021, the expected duration of the contractual relationship with customers went from 3 to 4 years for the mobile business and from 7 to 8 years for the fixed-line business, following an improvement to the churn on customers recorded in recent years, as a result of the loyalty and retention actions and the drive on converging offers. The positive impact at 31 December, 2021 amounted, at a consolidated level, to a total of 164 million euros; for the years 2022 and 2023, with regard to the outstanding amount at 31 December, 2021, a positive impact of 103 million euros and 52 million euros respectively is estimated in reference entirely to the Parent Company, gross of intragroup eliminations.

Total (non-current and current) deferred contract costs amounted to 2,297 million euros (2,139 million euros at December 31, 2020) and break down as follows:

(million euros)	12/31/2021	12/31/2020
Deferred contract costs		
Non-current deferred contract costs	1,755	1,522
Current deferred contract costs	542	617
Total	2,297	2,139

(million euros)	12/31/2021	12/31/2020
Deferred contract costs		
Contract acquisition costs	1,246	1,132
Contract execution costs	1,051	1,007
Total	2,297	2,139

Changes to comprehensive deferred contract costs in 2021 are as follows:

(million euros)	12/31/2020	Increase	Release to income statement	Exchange differences and other changes	12/31/2021
Contract acquisition costs	1,132	390	(278)	2	1,246
Contract execution costs	1,007	250	(206)	—	1,051
Total	2,139	640	(484)	2	2,297

The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 555 million euros in 2022, based on the amount at December 31, 2021 without taking into account the new deferred portions.

(million euros)	12/31/2021	year of recognition in the income statement					
		2022	2023	2024	2025	2026	After 2026
Contract acquisition costs	1,246	324	274	219	158	111	160
Contract execution costs	1,051	231	218	193	157	112	140
Total	2,297	555	492	412	315	223	300

- **Other deferred costs** of 78 million euros, mainly attributable to the Parent and to companies of the Brazil Business Unit and of the Telecom Italia Sparkle group.

NOTE 11

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2021 amounted to 226 million euros (150 million euros at December 31, 2020).

Specifically, they consisted of:

- non-current income tax receivables of 147 million euros (64 million euros at December 31, 2020), relating to the companies of the Brazil Business Unit (116 million euros) and the Parent TIM S.p.A. (31 million euros). They include receivables of TIM S.A. relating to the decision of the Brazilian Supreme Federal Court on the non-collection of corporate income tax and social contributions on the monetary recalculation that uses the SELIC rate in cases of undue payment and receivables not transferred by the Parent Company relative to tax and interest deriving from the recognized deductibility from IRES tax of the IRAP tax calculated on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 79 million euros (86 million euros at December 31, 2020), relating to the companies of the Domestic Business Unit (51 million euros) and the Brazil Business Unit (26 million euros). They include the IRES tax receivable for surplus payments and withholdings of 5 million euros and the IRAP receivable for 29 million euros for surplus down payments made and for the benefit deriving from the presentation of supplementary declarations following the ruling signed on August 3, 2020 with the Revenue Agency for the application of the patent box benefit of the Parent Company TIM S.p.A..

Tax assets and deferred tax liabilities

The net balance of 3,268 million euros at December 31, 2021 (7,219 million euros at December 31, 2020) breaks down as follows:

(million euros)	12/31/2021	12/31/2020
Deferred tax assets	3,513	7,496
Deferred tax liabilities	(245)	(277)
Total	3,268	7,219

Deferred tax assets at December 31, 2021 mainly referred to the Domestic Business Unit, at 3,427 million euros. At December 31, 2020, deferred tax assets mainly referred to the Domestic Business Unit, at 7,383 million euros.

In the 2020 financial statements, the Parent Company TIM S.p.A. had benefited from the possibility of realigning the tax values to the greater value of the assets booked, specifically the value of goodwill of 23,051 million euros, as envisaged by Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Accordingly, this resulted, in exchange for payment of substitute tax in the amount of 3% of the realigned value (692 million euros), in the possibility to deduct the tax amortization of the realigned value of 23,051 million euros over 18 years, starting 2021. These deductions, which would have generated benefits in terms of IRES and IRAP, have been fully noted at December 31, 2020 amongst deferred tax assets in the amount of 6,569 million euros, in view of the possibility of absorption through the Company's future taxable income, also taking into account the fact that IRES losses can be carried forward without time limits, where such may arise due to temporary incapacity of taxable income.

The 2022 Budget Law (Law 234/2021, art. 160) amended the duration of the period during which amortization of tax-recognized goodwill could be deducted, taking it to 50 years and this resulted in the writing off of 50% of deferred tax assets for 3,285 million euros (of which 2,766 million euros for IRES and 519 million euros for IRAP), which go beyond the time frame of visibility for absorption, which had been identified as 25 years in the 2020 financial statements. The remaining deferred IRAP tax assets for 540 million euros were also written-off, mainly relating to the realigned goodwill in consideration of the changed assessment of the time frame for recoverability of deferred tax assets, also determined on the basis of the 2022 - 2024 Industrial Plan of the Parent Company TIM S.p.A. For the same reason, the Parent Company has not entered new deferred tax assets for period tax losses. This write-off does not exclude for the future, the possibility of reversing this impairment with the booking of all or part of the deferred tax assets where they should be deemed recoverable.

In 2021, in accordance with art. 19 of Decree Law no. 73/2021, the Parent Company TIM S.p.A. also transformed the deferred tax assets for tax losses carried forward and ACE surpluses (within the limit of 20% of the impaired loans transferred) into tax credits in the amount of approximately 20 million euros; these receivables were subsequently offset against VAT payable.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 214 million euros (252 million euros at December 31, 2020) and the Domestic Business Unit for 20 million euros (13 million euros at December 31, 2020).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12/31/2021	12/31/2020
Deferred tax assets	3,999	7,931
Deferred tax liabilities	(731)	(712)
Total	3,268	7,219

The temporary differences which made up this line item at December 31, 2021 and 2020, as well as the movements during 2021, were as follows:

(million euros)	12/31/2020	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12/31/2021
Deferred tax assets					
Tax loss carryforwards (*)	100	(41)		(13)	46
Derivatives	625	(5)	(103)		517
Provision for bad debts	126	1		1	128
Provisions	260	106		2	368
Taxed depreciation and amortization	96	8			104
Tax realignment pursuant to Decree Law 104/2020 Art. 110	6,569	(3,914)			2,655
Other Prepaid tax assets	155	29	4	(7)	181
Total	7,931	(3,816)	(99)	(17)	3,999
Deferred tax liabilities					
Derivatives	(532)	2	37	1	(492)
Business combinations - for step-up of net assets in excess of tax basis	(67)	(37)	—	52	(52)
Accelerated depreciation and amortization	(53)	(31)		1	(83)
Convertible bonds	—		(45)		(45)
Other deferred taxes	(60)	3		(2)	(59)
Total	(712)	(63)	(8)	52	(731)
Total Deferred tax assets net of Deferred tax liabilities	7,219	(3,879)	(107)	35	3,268

(*) For the new flow of tax losses in 2021, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2021 were the following:

(million euros)	.Within next year	Beyond 1 year	Total at 12/31/2021
Deferred tax assets	505	3,494	3,999
Deferred tax liabilities	(122)	(609)	(731)
Total Deferred tax assets net of Deferred tax liabilities	383	2,885	3,268

At December 31, 2021, the TIM Group had unused tax loss carryforwards of 2,287 million euros, mainly relating to the company Telecom Italia Finance and the Parent TIM S.p.A., with the following expiration dates:

Year of expiration	(million euros)
2022	—
2023	2
2024	—
2025	3
2026	1
Expiration after 2026	29
Without expiration	2,252
Total unused tax loss carryforwards	2,287

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 150 million euros at December 31, 2021 (323 million euros at December 31, 2020) and mainly referred to the Brazil Business Unit and the Parent TIM S.p.A.. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.

On the other hand, deferred tax assets relative to foreign subsidiaries of 333 million euros (354 million euros at December 31, 2020) were not recognized on 1,325 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.

At December 31, 2021, deferred tax liabilities were not recognized on approximately 0.8 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future. The contingent liabilities relating to taxes that should be recognized, if these reserves are distributed, are in any case not significant.

Current income tax payables

Current income tax payables amounted to 526 million euros (764 million euros at December 31, 2020). They break down as follows:

(million euros)	12/31/2021	12/31/2020
Income taxes payable:		
non-current	231	493
current	295	271
Total	526	764

The current portion, of 295 million euros, refers to the Domestic Business Unit (265 million euros) and the Brazil Business Unit (30 million euros) and includes the second installment of the substitute tax pursuant to Decree Law 104/2020, Art. 110, paragraphs 8 and 8 bis of the Parent Company (231 million euros). The non-current portion, amounting to 231 million euros, refers to the Parent Company TIM S.p.A. and relates to the third installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, paragraphs 8 and 8 bis.

Income tax expense

The income tax expense for the years 2021 and 2020 breaks down as follows:

(million euros)	2021	2020
Current taxes for the year	15	777
Net difference in prior year estimates	(4)	(197)
Total current taxes	11	580
Deferred taxes	3,874	(6,535)
Total income tax expense on continuing operations (a)	3,885	(5,955)
Income tax expense on Discontinued operations/Non-current assets held for sale (b)	—	—
Total income tax expense for the year (a+b)	3,885	(5,955)

Deferred tax includes the write-off for 3,825 million euros, of which 2,766 million euros for IRES, equal to 50% of the deferred tax assets entered in 2020 following the higher values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis and 1,059 million euros for the residual deferred IRAP tax assets entered for the realignment of goodwill and other items.

As already specified, the write-off of deferred tax assets is due to the extension to 50 years of the period of resorption of the realigned amount of goodwill introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recovery of deferred tax assets of the parent company TIM S.p.A.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2021 and 2020 is as follows:

(million euros)	2021	2020
Profit (loss) before tax from continuing operations	(4,515)	1,397
Theoretical income tax from continuing operations	(1,084)	335
Income tax effect on increases (decreases) in variations		
Tax losses of the year not considered recoverable	2	1
Tax losses from prior years not recoverable (recoverable) in future years	(20)	(20)
Non-deductible write-down of goodwill	989	—
IRES taxes for previous years	(8)	(299)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others	2,961	(5,532)
Brazil: different tax rate compared to the theoretical rate in force in Italy	48	33
Brazil: investment incentives	(28)	(28)
Other net differences	(59)	(137)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax	2,801	(5,647)
Prepaid IRAP including tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110	1,084	(1,000)
Substitute tax pursuant to Decree Law 104/2020 art. 110	—	692
Total effective taxes recognized in the Income Statements from continuing operations	(a) 3,885	(5,955)
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale	(b) —	—
Total of actual taxes to income statement	(a)+(b) 3,885	(5,955)

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.

NOTE 12

INVENTORIES

The item increased compared to December 31, 2020, by 40 million euros and is broken down as follows:

(million euros)	12/31/2021	12/31/2020
Raw materials and supplies	2	2
Work in progress and semi-finished products	5	2
Finished goods	246	238
Deposits on stocks	29	—
Total	282	242

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialized printers.

Inventories consist of 250 million euros for the Domestic Business Unit (204 million euros at December 31, 2020), also due to a purchasing trend recorded during the year, which was higher than that of consumption, on the Fixed segment of the Parent Company Tim S.p.A. and 32 million euros for the Brazil Business Unit (38 million euros at December 31, 2020).

The item “Deposits on stocks” refers to deposits paid by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through financial lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 21 million euros (13 million euros at December 31, 2020).

NOTE 13

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 12 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)	12/31/2021	of which Financial Instruments	12/31/2020	of which Financial Instruments
Trade receivables				
Receivables from customers	1,545	1,545	2,140	2,140
Receivables from other telecommunications operators	1,130	1,130	765	765
(a)	2,675	2,675	2,905	2,905
Miscellaneous receivables (current)				
Receivables due from others	(b) 780	101	516	85
Other current assets				
Contract assets	20	20	25	25
Deferred contract costs	542		617	
Other cost deferrals	273		217	
Other	68		66	
(c)	903	20	925	25
Total	(a+b+c) 4,358	2,796	4,346	3,015

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2021 and December 31, 2020 are provided below:

(million euros)	12/31/2021	of which non- overdue	of which overdue	0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	2,796	2,270	526	151	68	77	230

(million euros)	12/31/2020	of which non- overdue	of which overdue	0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	3,015	2,388	627	116	133	102	276

Overdue receivables fell by 118 million euros compared to December 31, 2020. This performance is mainly a result of, for 2021: the Domestic Business Unit companies (-178 million euros), and the Brazil Business Unit (+60 million euros, including a positive exchange effect of approximately 3 million euros).

Overdue receivables fell by 101 million euros compared to December 31, 2020. This performance is mainly a result of, for 2021: the Parent Company (-71 million euros), and the Brazil Business Unit (-43 million euros, including a positive exchange effect of approximately +1 million euros) and the Domestic Business Unit companies (+13 million euros).

Trade receivables amounted to 2,675 million euros (2,905 million euros at December 31, 2020) and are stated net of the provision for bad debts of 565 million euros (627 million euros at December 31, 2020). They included 9 million euros (13 million euros at December 31, 2020) of medium/long-term receivables, in respect of agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU). Trade receivables mainly related to TIM S.p.A. (1,906 million euros) and to the Brazil Business Unit (511 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12/31/2021	12/31/2020
At January 1	627	757
Provision charges to the income statement	212	282
Utilization and decreases	(287)	(369)
Change in the scope of consolidation	1	1
Exchange rate differences and other changes	12	(44)
At December 31	565	627

In particular, the provision for bad debt at December 31, 2021 suffered the provisions made in 2021 for a total of 212 million euros, of which 20 million euros are non-recurring of the Domestic Business Unit in connection with the COVID-19 health emergency, which resulted in a worsening of the Expected Credit Losses of customers, consequent to the expected deterioration of the macroeconomic context. For more details, see the Note "Non-recurring Events and Transactions".

Miscellaneous receivables (current) refer to other receivables amounting to 780 million euros (516 million euros at December 31, 2020) and are net of a provision for bad debts of 46 million euros (48 million euros at December 31, 2020). Details are as follows:

(million euros)	12/31/2021	12/31/2020
Advances to suppliers	270	22
Receivables from employees	10	10
Tax receivables	268	254
Receivables for grants from the government and public entities	14	29
Sundry receivables	218	201
Total	780	516

Tax receivables mainly relate to:

- the Brazil Business Unit (240 million euros) and are related to local indirect taxes.
- the Parent Company (15 million euros) essentially for credit amounts resulting from tax returns, tax credits, as well as VAT credits on the acquisition of motor vehicles and related accessories requested for reimbursement pursuant to Law Decree no. 258/2006 converted with amendments by Law no. 278/2006.

Receivables for grants from the government and public entities (14 million euros) referred mainly to the ultrabroadband-UBB and broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.

Sundry receivables mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (43 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (32 million euros);
- TIM S.p.A. receivables from social security and pension institutions (13 million euros).

Other current assets included:

- **Contract assets with customers:** this item includes the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized "at a point in time" are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. Contract Assets at December 31, 2021 amounted to 20 million euros (25 million euros at December 31, 2020), net of the related write-down provision of 1 million euros and drop by 5 million euros, since the reversal to the income statement of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;
- **Deferred contract costs** (542 million euros, 617 million euros at December 31, 2020): these are contract costs (mainly technical activation costs and commissions for the sales network) deferred and recognized in the separate income statement according to the expected duration of the contractual relationship with customers. As indicated above, in 2021 the expected duration of the contractual relationship went from 3 to 4 years for the mobile business and from 7 to 8 years for the fixed-line business, with a positive impact, at consolidated level, totaling 164 million euros at December 31, 2021. Further details on Deferred contract costs are provided in the Note "Miscellaneous receivables and other non-current assets".
- **Other deferred costs** mainly concern:
 - the Parent Company essentially for the deferral of costs related to rental charges and other lease and rental costs (172 million euros), the deferral of costs for the purchase of products and services (24 million euros), deferral of after-sales expenses on application offers (23 million euros), insurance premiums (4 million euros) and maintenance fees (3 million euros);
 - the Telecom Italia Sparkle group, mainly concerning the deferral of costs connected with leases for circuits and maintenance fees (13 million euros);
 - the Brazil Business Unit relative to marketing activities (approximately 14 million euros), insurance premiums (approximately 5 million euros) and maintenance contracts (approximately 5 million euros).

NOTE 14

EQUITY

Equity consisted of:

(million euros)	12/31/2021	12/31/2020
Equity attributable to owners of the Parent	17,414	26,215
Non-controlling interests	4,625	2,625
Total	22,039	28,840

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12/31/2021	12/31/2020
Share capital	11,614	11,588
Additional paid-in capital	2,133	2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	3,667	12,494
Reserve for financial assets measured at fair value through other comprehensive income	49	20
Reserve for hedging instruments	(128)	(350)
Reserve for exchange differences on translating foreign operations	(2,500)	(2,538)
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(130)	(119)
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	—	—
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	6,376	15,481
Total	17,414	26,215

At December 31, 2021, the **share capital** was 11,614 million euros, already net of treasury shares for 63 million euros (11,588 million euros, already net of treasury shares for 89 million euros at December 31, 2020).

The amount of treasury shares during 2021 changed as follows:

- decrease due to the assignment of 6,715,617 ordinary shares of TIM S.p.A. to implement the 2018 Long Term Incentive Plan;
- decrease due to the assignment of 38,604,270 ordinary shares of TIM S.p.A. free of charge to entitled Group employees adhering to the 2020 Broad-Based Share Ownership Plan.

For further details, refer to the Note “Equity Compensation Plans”.

It should be noted that the share capital carries a restriction on tax suspension for fiscal purposes for an amount of 11,104 million euros, unchanged on December 31, 2020 and inclusive of 9,913 million restricted in accordance with Decree Law 104/2020, art. 110, subsection 8.

Movements in share capital during 2021 are presented in the following tables:

Reconciliation between the number of shares outstanding at December 31, 2020 and December 31, 2021

(number of shares)	as at 12/31/2020	Share assignment/issue	as at 12/31/2021	% of share capital
Ordinary shares issued (a)	15,329,466,496	—	15,329,466,496	71.78%
less: treasury shares (b)	(161,262,083)	45,319,887	(115,942,196)	
Ordinary shares outstanding (c)	15,168,204,413	45,319,887	15,213,524,300	
Savings shares issued and outstanding (d)	6,027,791,699	—	6,027,791,699	28.22%
Total TIM S.p.A. shares issued (a+d)	21,357,258,195	—	21,357,258,195	100.00%
Total TIM S.p.A. shares outstanding (c+d)	21,195,996,112	45,319,887	21,241,315,999	

Reconciliation between the value of shares outstanding at December 31, 2020 and December 31, 2021

(million euros)

		Share capital at 12/31/2020	Change in share capital	Share Capital at 12/31/2021
Ordinary shares issued	(a)	8,381	—	8,381
less: treasury shares	(b)	(89)	26	(63)
Ordinary shares outstanding	(c)	8,292	26	8,318
Savings shares issued and outstanding	(d)	3,296	—	3,296
Total TIM S.p.A. share capital issued	(a+d)	11,677	—	11,677
Total TIM S.p.A. share capital outstanding	(c+d)	11,588	26	11,614

The total value of ordinary treasury shares at December 31, 2021, amounting to 364 million euros, was recorded as follows: the part relating to accounting par value (63 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the board of directors to the shareholders' meeting, during which the annual financial statements are approved, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the case of the distribution of reserves, the savings shares have the same rights as ordinary shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

Additional paid-in capital, amounting to 2,133 million euros, was unchanged with respect to December 31, 2020. The reserve is entirely restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, positive for 49 million euros at December 31, 2021, increased by 29 million euros compared to the figure at December 31, 2020. In particular, the change in 2021 includes the losses from the securities portfolio of Telecom Italia Finance (18 million euros, of which 6 million euros were realized), the losses on the TI Ventures securities portfolio (9 million euros), the profits recorded by Olivetti for the valuation of SECO S.p.A. (54 million euros), the losses related to other financial assets held by the Parent Company TIM (4 million euros) and the profits related to the equity investment in Fin.Priv. S.r.l. of the Parent Company TIM (6 million euros). This reserve is expressed net of deferred tax liabilities of 1 million euros (at December 31, 2020, it was expressed net of deferred tax liabilities of 1 million euros).
- The **Reserve for cash flow hedges** had a negative balance of 128 million euros at December 31, 2021, (negative 350 million euros at December 31, 2020). This reserve is stated net of deferred tax assets of 39 million euros (at December 31, 2020, it was stated net of deferred tax assets of 110 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 2,500 million euros at December 31, 2021 (negative 2,538 million euros at December 31, 2020) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 2,523 million euros versus negative for 2,550 million euros at December 31, 2020).
- The **Reserve for the re-measurement of defined benefits plans for employees**, negative for 130 million euros, drops by 11 million euros on December 31, 2020 following the recording of the changes in actuarial gains (losses), net of the related tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2021 and December 31, 2020.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 6,376 million euros and decreased by 9,105 million euros, as detailed below:

(million euros)	2021	2020
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Dividends approved - TIM S.p.A.	(318)	(316)
Issue of equity instruments	7	3
Other changes	(44)	9
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	(9,105)	6,920

Part of Other sundry reserves and accrued profits (losses), including profit (loss) for the year of TIM S.p.A. is restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8. For more details, reference is made to the "Equity" Note of the Parent Company.

In 2021, dividends deliberated by TIM S.p.A. are 318 million euros and refer to the distribution to Shareholders of a dividend of 0.0100 euro per ordinary share and 0.0275 euro per savings share, gross of statutory withholding taxes. In 2020, the dividends deliberated by TIM S.p.A. were 316 million euros and referred to ordinary shares (dividend per share of 0.0100 euros) and to savings shares (dividend per share of 0.0275 euros).

Equity attributable to non-controlling interest, amounting to 4,625 million euros, mainly refers to FiberCop S.p.A. (1,969 million euros), to Daphne 3 S.p.A. (1,316 million euros) and the companies of the Brazil Business Unit (1,345 million euros) and shows an increase of 2,000 million euros compared to December 31, 2020, as detailed below:

(million euros)	2021	2020
Profit (loss) for the year attributable to Non-controlling interest	252	128
Group Company dividends paid to minority shareholders	(55)	(62)
Changes in the Reserve for exchange differences on translating foreign operations	12	(491)
FiberCop - capital increase	1,848	—
Daphne 3 - capital increase	—	1,334
Daphne 3 - distribution of additional paid-in capital	(42)	—
INWIT - deconsolidation	—	(644)
Other changes	(15)	14
Change for the year in Equity attributable to Non-controlling interest	2,000	279

The Group company dividends paid to minority shareholders mainly referred to the Brazil Business Unit for 55 million euros. 2020 dividends mainly referred to the Brazil Business Unit for 61 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 1,155 million euros at December 31, 2021 (negative for 1,167 million euros at December 31, 2020), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

Details of "Future potential changes in share capital" are presented in the Note "Earnings per share".

NOTE 15

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities (gross financial debt) are broken down as follows:

(million euros)	12/31/2021	12/31/2020
Non-current financial liabilities for financing contracts and others		
Financial payables (medium/long-term):		
Bonds	17,383	16,898
Convertible bonds	—	1,958
Payables to banks	4,394	2,772
Other financial payables	306	185
	22,083	21,813
Other medium/long-term financial liabilities:		
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1,337	1,832
Non-hedging derivatives	17	10
Other liabilities	—	—
	1,354	1,842
	(a) 23,437	23,655
Non-current financial liabilities for lease contracts	(b) 4,064	4,199
Total non-current financial liabilities	c=(a+b) 27,501	27,854
Current financial liabilities for financing contracts and others		
Financial payables (short term):		
Bonds	1,514	982
Convertible bonds	1,998	6
Payables to banks	2,099	2,506
Other financial payables	236	119
	5,847	3,613
Other short-term financial liabilities:		
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	62	62
Non-hedging derivatives	36	2
Other liabilities	—	—
	98	64
	(d) 5,945	3,677
Current financial liabilities for lease contracts	(e) 651	631
Total current financial liabilities (*)	f=(d+e) 6,596	4,308
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	(g) —	—
Total Financial liabilities (Gross financial debt)	h=(c+f+g) 34,097	32,162

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Gross financial debt according to the original currency of the transaction is as follows:

	12/31/2021		12/31/2020	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,789	5,111	5,899	4,807
GBP	389	463	389	433
BRL	12,694	2,008	8,415	1,320
YEN	20,030	154	20,030	158
ILS	51	14	54	14
EUR		26,347		25,430
Total		34,097		32,162

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12/31/2021	12/31/2020
Up to 2.5%	8,619	6,047
From 2.5% to 5%	12,872	13,497
From 5% to 7.5%	7,055	6,692
From 7.5% to 10%	1,971	1,906
Over 10%	1,437	1,317
Accruals/deferrals, MTM and derivatives	2,143	2,703
Total	34,097	32,162

Following the use of hedging derivative instruments, on the other hand, gross financial debt by nominal interest rate level is:

(million euros)	12/31/2021	12/31/2020
Up to 2.5%	15,353	15,640
From 2.5% to 5%	9,936	8,052
From 5% to 7.5%	3,396	3,352
From 7.5% to 10%	1,334	1,098
Over 10%	1,935	1,317
Accruals/deferrals, MTM and derivatives	2,143	2,703
Total	34,097	32,162

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount:

(million euros)	maturing by 12/31 of the year:						Total
	2022	2023	2024	2025	2026	After 2026	
Bonds	3,098	2,446	3,324	2,000	1,750	7,720	20,338
Loans and other financial liabilities	784	712	977	1,075	1,570	159	5,277
Financial lease liabilities	616	557	587	473	453	1,995	4,681
Total	4,498	3,715	4,888	3,548	3,773	9,874	30,296
Current financial liabilities	1,536	—	—	—	—	—	1,536
Total	6,034	3,715	4,888	3,548	3,773	9,874	31,832

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12/31/2021	12/31/2020
Non-current portion	17,383	16,898
Current portion	1,514	982
Total carrying amount	18,897	17,880
Fair value adjustment and measurements at amortized cost	(559)	(631)
Total nominal repayment amount	18,338	17,249

Convertible bonds consist of the unsecured equity-linked bond for 2,000 million euros, with a coupon of 1.125%, issued by TIM S.p.A., convertible into newly-issued ordinary shares, maturing in 2022. This item was broken down as follows:

(million euros)	12/31/2021	12/31/2020
Non-current portion	—	1,958
Current portion	1,998	6
Total carrying amount	1,998	1,964
Fair value adjustment and measurements at amortized cost	2	36
Total nominal repayment amount	2,000	2,000

The nominal repayment amount of bonds and convertible bonds totaled 20,338 million euros, up by 1,089 million euros compared to December 31, 2020 (19,249 million euros) as a result of new issues, repayments and the exchange effect in 2021.

The change in bonds during 2021 was as follows:

New issues

(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

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

Repayments

(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.

Note that on December 31, 2021, the "Telecom Italia S.p.A. 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired" bond was closed and the bonds fully repaid starting January 1, 2022, in accordance with the relevant Regulation.

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond repurchases, and also at market value:

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2021 (%)	Market value at 12/31/2021 (million euros)
Bonds issued by TIM S.p.A.								
Euro	^(a) 213.5	214	6 month Euribor (base	1/01/2002	1/01/2022	100	100	214
Euro	883.9	884	5.250%	2/10/2010	2/10/2022	99.295	100.692	890
Euro	^(b) 2,000	2,000	1.125%	3/26/2015	3/26/2022	100	100.135	2,003
Euro	1,000	1,000	3.250%	1/16/2015	1/16/2023	99.446	103.037	1,031
GBP	375	446	5.875%	5/19/2006	5/19/2023	99.622	104.491	466
Euro	1,000	1,000	2.500%	1/19/2017	7/19/2023	99.288	102.507	1,025
Euro	750	750	3.625%	1/20/2016	1/19/2024	99.632	104.032	780
Euro	1,250	1,250	4.000%	1/11/2019	4/11/2024	99.436	104.961	1,312
USD	1,500	1,324	5.303%	5/30/2014	5/30/2024	100	105.321	1,395
Euro	1,000	1,000	2.750%	4/15/2019	4/15/2025	99.320	102.491	1,025
Euro	1,000	1,000	3.000%	9/30/2016	9/30/2025	99.806	103.084	1,031
Euro	750	750	2.875%	6/28/2018	1/28/2026	100	102.431	768
Euro	1,000	1,000	3.625%	5/25/2016	5/25/2026	100	105.519	1,055
Euro	1,250	1,250	2.375%	10/12/2017	10/12/2027	99.185	98.860	1,236
Euro	1,000	1,000	1.625%	1/18/2021	1/18/2029	99.074	92.023	920
Euro	670	670	5.250%	3/17/2005	3/17/1955	99.667	106.021	710
Subtotal		15,538						15,861
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	^(c) 109.646	133.488	1,355
Subtotal		1,015						1,355
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	883	6.375%	10/29/2003	11/15/2033	99.558	108.519	958
USD	1,000	883	6.000%	10/06/2004	9/30/2034	99.081	105.270	929
USD	1,000	883	7.200%	7/18/2006	7/18/2036	99.440	114.336	1,010
USD	1,000	883	7.721%	6/04/2008	6/04/2038	100	118.017	1,042
Subtotal		3,532						3,939
Bonds issued by TIM S.A.								
BRL	1,600	253	IPCA+4.1682%	6/15/2021	6/15/2028	100	100	253
Subtotal		253						253
Total		20,338						21,408

(a) Reserved for employees.

(b) Bond convertible into newly-issued TIM S.p.A. ordinary treasury shares.

(c) Weighted average issue price for bonds issued with multiple tranches.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

Medium/long-term amounts **due to banks** totaled 4,394 million euros (2,772 million euros at December 31, 2020). Short-term amounts due to banks totaled 2,099 million euros (2,506 million euros at December 31, 2020) and included 786 million euros of the current portion of medium/long-term amounts due to banks.

On December 23, 2021, the subsidiary FiberCop S.p.A. signed a new 5-year Term Loan for an amount of 1.5 billion euros with a pool of international banks, fully drawn down.

The other medium/long-term **financial payables** totaled 306 million euros (185 million euros at December 31, 2020), 151 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 236 million euros (119 million euros at December 31, 2020) and included 15 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **finance lease liabilities** amounted to 4,064 million euros (4,199 million euros at December 31, 2020), whilst short-term lease liabilities totaled 651 million euros (631 million euros at December 31, 2020) and included 648 million euros in the current portion of medium/long-term finance lease liabilities.

With reference to the financial lease liabilities recognized in 2021 and 2020, the following is noted:

(million euros)	12/31/2021	12/31/2020
Principal reimbursements	604	699
Cash out interest portion	263	256
Total	867	955

Hedging derivatives relating to items classified as non-current financial liabilities amount to 1,337 million euros (1,832 million euros at December 31, 2020). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 62 million euros (62 million euros at December 31, 2020).

Non-hedging derivatives classified as non-current financial liabilities came to 17 million euros (10 million euros at December 31, 2020), while non-hedging derivatives classified under current financial liabilities amounted to 36 million euros (2 million euros at December 31, 2020). These also include the measurement of derivatives which, although put into place for hedging purposes, do not meet the formal requirements to be considered as such under IFRS.

Covenants and negative pledges in place at 12/31/2021

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 the bonds were placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

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 December 31, 2021 the nominal total of outstanding loans with the EIB was 1,200 million euros, all drawn down and not backed by 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 conferral 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 conferral 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/Interest, 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 conferrals of business, involving entities outside the Group.

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.

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 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 December 31, 2021, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility

The following table shows committed credit lines available at December 31, 2021:

(billion euros)	12/31/2021		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 December 31, 2021, TIM had bilateral Term Loans for 850 million euros with various banking counterparties and an overdraft facility for 200 million euros, drawn down for the full amount.

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.

On December 23, 2021, the subsidiary FiberCop S.p.A. signed a new 5-year Term Loan for an amount of 1.5 billion euros with a pool of international banks, fully drawn down.

TIM's rating at December 31, 2021

At December 31, 2021, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB	Stable
MOODY'S	Ba2	Negative
FITCH RATINGS	BB+	Stable

On March 08, 2022, the ratings agency Moody's modified the rating from Ba2 to Ba3, confirming the outlook relative to its opinion on TIM as "Negative".

NOTE 16

NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at December 31, 2021 and December 31, 2020, determined in accordance with the provisions of the “Guidelines on disclosure requirements under the Prospectus Regulation” issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.

This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		12/31/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	(a)	6,092	4,433
Other cash and cash equivalents	(b)	812	396
Securities other than investments	(c)	2,249	1,092
Liquidity	(d=a+b+c)	9,153	5,921
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,538	1,151
Current portion of non-current financial debt	(f)	4,937	3,010
Current financial debt	(g=e+f)	6,475	4,161
Net current financial debt	(h=g-d)	(2,678)	(1,760)
Non-current financial debt (excluding the current part and debt instruments)	(i)	8,083	6,984
Debt instruments	(j)	17,383	18,856
Trade payables and other non-current debt (**)	(k)	81	1,791
Non-current financial debt	(l=i+j+k)	25,547	27,631
Total net financial debt as per ESMA guidelines 32-382-1138	(m=h+l)	22,869	25,871
Trade payables and other non-current debt (**)		(81)	(1,791)
Non-current financial receivables arising from lease contracts		(45)	(43)
Current financial receivables arising from lease contracts		(56)	(55)
Financial receivables and other current financial assets		(21)	(15)
Other financial receivables and other non-current financial assets		(250)	(253)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	(n)	(453)	(2,157)
Net financial debt carrying amount (*)	(p=m+n)	22,416	23,714
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(229)	(388)
Adjusted Net Financial Debt	(r=p+q)	22,187	23,326

(*) As regards the effects of related-party transactions on net financial debt, reference should be made to the specific table included in the Note “Related-party transactions”.

(**) The value at 12/31/2021 mainly includes the payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses (72 million euros), also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services. The figure at 12/31/2020 includes the residual payable relating to the acquisition of the rights-of-use for the 5G licenses in Italy, of 1,738 million euros; at 12/31/2021, the amount was reclassified to Miscellaneous payables and other current liabilities following the expiry scheduled for 2022.

Additional cash flow information required by IAS 7

(million euros)	12/31/2020	Cash movements		Non-cash movements			12/31/2021
		Receipts and/or issues	Payments and/or reimbursements	Exchange differences	Fair value changes	Other changes and reclassifications	1
Financial payables (medium/long-term):							
Bonds	17,880	1,251	(564)	405	(79)	4	18,897
Convertible bonds	1,964					34	1,998
Payables to banks	4,242	2,830	(1,895)	20		(17)	5,180
Other financial payables	192	1	(9)	(4)		141	321
(a)	24,278	4,082	(2,468)	421	(79)	162	26,396
of which short-term	2,465						4,313
Medium/long-term finance lease liabilities:							
(b)	4,827	225	(604)	15		249	4,712
(b)	4,827	225	(604)	15	—	249	4,712
of which short-term	628						648
Other medium/long-term financial liabilities:							
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature	1,894			(97)	(398)		1,399
Non-hedging derivative liabilities	12			(3)	41	2	52
Other liabilities	—						—
(c)	1,906	—	—	(100)	(357)	2	1,451
of which short-term	64						97
Short-term financial payables:							
Amounts due to banks	1,036					277	1,313
Other financial payables	115			1		109	225
(d)	1,151	—	—	1	—	386	1,538
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:							
(e)	—	—	—	—	—	—	—
Total Financial liabilities (Gross financial debt)							
(f=a+b+c+d+e)	32,162	4,307	(3,072)	337	(436)	799	34,097
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature							
(g)	2,067			301	(340)	(13)	2,015
(h)	94			(46)	63	30	141
Total	(i=f-g-h)	30,001	4,307	(3,072)	82	(159)	31,941

The value of the paid and collected interest expense reported in the Report on Operations takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(million euros)	2021	2020
Interest expense paid	(1,440)	(1,520)
Interest income received	437	448
Net total	(1,003)	(1,072)

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2021	2020
Interest expense paid	(1,104)	(1,209)
Interest income received	101	137
Net total	(1,003)	(1,072)

NOTE 17

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States, Great Britain and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt composition. In consideration of the Group's operating activities, the optimum combination of medium/long-term non-current financial liabilities has been identified, on the basis of the nominal amount, in the 65%-85% range for the fixed-rate component and in the 15%-35% range for the variable-rate component.

In managing market risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a "BBB-" rating from Standard & Poor's or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2021;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;
- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in

the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;

- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2021 (and also at December 31, 2020), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the consolidated financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2021 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of -18 million euros (36 million euros at December 31, 2020).

Refer to Note "Accounting Policies" for the potential risk generated by the reform of benchmark interest rates.

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12/31/2021			12/31/2020		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Bonds	19,571	767	20,338	14,698	4,551	19,249
Loans and other financial liabilities	5,012	4,946	9,958	5,402	3,836	9,238
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	24,583	5,713	30,296	20,100	8,387	28,487
Total current financial liabilities	1,264	272	1,536	602	546	1,148
Total	25,847	5,985	31,832	20,702	8,933	29,635

Total Financial assets (at the nominal investment amount)

(million euros)	12/31/2021			12/31/2020		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Cash and cash equivalents	—	6,092	6,092	—	4,433	4,433
Titles	1,421	1,616	3,037	638	837	1,475
Other receivables	1,008	51	1,059	747	54	801
Total	2,429	7,759	10,188	1,385	5,324	6,709

With regard to variable-rate financial instruments, the contracts provide for revisions of the relative parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial liabilities

(million euros)	12/31/2021		12/31/2020	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	20,249	4.32	19,117	4.47
Loans and other financial liabilities	11,705	3.21	10,341	3.54
Total	31,954	3.91	29,458	4.14

Total Financial assets

(million euros)	12/31/2021		12/31/2020	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	6,092	0.00	4,433	0.01
Titles	3,037	1.08	1,475	0.36
Other receivables	364	3.40	362	1.25
Total	9,493	0.47	6,270	0.16

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to the Note "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average uncollectibility estimated on the basis of statistics. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

As regards the current COVID-19 pandemic, use of the Bloomberg Credit Risk Model, which, as mentioned, also takes into account the political and economic situation of the various countries in the short and medium/long-term (from 3 months to 5 years), ensures that all risk components are adequately reflected in the measurement of the credit risk.

In order to improve credit risk and reduce pressure on working capital, in February 2020, the corporate joint venture TIM-SCB JV S.p.A. was established, with an investment of 51% by Santander Consumer Bank (SCB) and 49% by TIM. The partnership with SCB aims to develop and distribute financial products to finance the purchase by TIM customers of products relative to the world of telecommunications and the transfer without recourse of trade receivables.

On November 3, 2020, the new corporate entity received authorization from the Bank of Italy to grant loans to the public in accordance with Article 106 et seq. of the Consolidated Banking Act (TUB). In the last few months of 2020 and early 2021, various corporate steps were completed, including the change in the company name from TIM-SCB JV S.p.A. to TIMFin S.p.A..

TIMFin started operating on February 1, 2021 and over the following months progressively expanded its areas of operation, completing coverage of the TIM physical sales points at the service of consumer customers.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2021, the liquidity margin available for the TIM Group is 13,153 million euros, with an increase of 532 million euros with respect to end 2020 (12,621 million euros). The impact of the COVID-19 pandemic has not, therefore, entailed any liquidity risk. Moreover, on January 18, 2021, TIM S.p.A. issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

19% of gross financial debt at December 31, 2021 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2021, together with unused committed bank lines, are sufficient to fully cover the Group's financial liabilities due for the next 36 months.

The following tables report the contractual cash flows, not discounted to present value, relative to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2021. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the relative hedging derivatives. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year:						Total
		2022	2023	2024	2025	2026	After 2026	
Bonds	Principal	3,098	2,446	3,324	2,000	1,750	7,720	20,338
	Interest portion	810	749	626	515	444	3,717	6,861
Loans and other financial liabilities (*)	Principal	784	712	977	1,075	1,570	159	5,277
	Interest portion	(3)	(10)	(16)	(9)	(22)	(478)	(538)
Financial lease liabilities	Principal	616	557	587	473	453	1,995	4,681
	Interest portion	155	141	126	109	93	319	943
Non-current financial liabilities	Principal	4,498	3,715	4,888	3,548	3,773	9,874	30,296
	Interest portion	962	880	736	615	515	3,558	7,266
Current financial liabilities	Principal	1,536	—	—	—	—	—	1,536
	Interest portion	4	—	—	—	—	—	4
Total	Principal	6,034	3,715	4,888	3,548	3,773	9,874	31,832
	Interest portion	966	880	736	615	515	3,558	7,270

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)		maturing by 12/31 of the year:						Total
		2022	2023	2024	2025	2026	After 2026	
Disbursements		256	250	198	175	175	1,423	2,477
Receipts		(357)	(347)	(272)	(232)	(232)	(1,998)	(3,438)
Hedging derivatives – net (receipts) disbursements		(101)	(97)	(74)	(57)	(57)	(575)	(961)
Disbursements		140	59	145	46	122	—	512
Receipts		(105)	(30)	(124)	(27)	(109)	—	(395)
Non-Hedging derivatives – net (receipts) disbursements		35	29	21	19	13	—	117
Total net receipts (disbursements)		(66)	(68)	(53)	(38)	(44)	(575)	(844)

Market value of derivatives

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRs involve the exchange of the reference interest and principal, in the respective denomination currencies.

Options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 18

DERIVATIVES

For hedge accounting we continued to apply the rules established by IAS 39.

Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risks, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.

Derivative financial instruments existing at December 31, 2021 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.

The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

Hedging: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2021 belong to two categories: i) hedging of the fair value of bond issues denominated in euros and ii) hedging of cash flows from income flows of bond issues and future trade items denominated in currencies other than the Euro.

In the first case, the hedged risk is represented by the fair value of the bond attributable to euro interest rates and is hedged by IRS. The current value of both the underlying and derivative instruments, depends on the structure of the Euro market interest rates at the basis of the calculation of discount factors and floating interest flows of the derivative. In particular, interest rate fluctuations translate as changes in the discount factors of the fixed-interest expense flow on the underlying instrument; on the derivative, changes in the discount factor of interest income will occur, as well as changes in the nominal flow of variable interest (only partially corrected by the discounting effect). The effects induced on the derivative are opposite, in accounting terms, to the effects on the underlying instrument.

In the second case, relating to the bond issues, the hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce physiologically opposite effects on the underlying instrument and on the derivative, as the receivable leg of the latter faithfully reflects the underlying instrument, while the payable leg is denominated in euros, and is therefore insensitive to the exchange rate. As regards the commercial forecast transactions, the risk hedged is always ascribed to the variability of the cash flow linked to exchange rates, but the hedge is assured through an active deposit denominated in the same currency as the items hedged; the write-backs/write-downs of the deposit in foreign currency generated by oscillations in the exchange rate are structurally the same and opposite to the impacts produced on the underlying items.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, both fair value hedges and cash flows hedges, although financially perfect, may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2021 and 2020; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	Hedged risk	Notional amount at 12/31/2021	Notional amount at 12/31/2020	Mark to Market Spot* (Clean Price) at 12/31/2021	Spot Mark-to- Market* (Clean Price) at 12/31/2021
Interest rate swaps	Interest rate risk	300	4,334	3	192
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		300	4,334	3	192
Interest rate swaps	Interest rate risk	4,855	5,594	375	421
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	5,195	5,042	173	(519)
Total Cash Flow Hedge Derivatives		10,050	10,636	548	(98)
Total Non-Hedge Accounting Derivatives		2,702	604	60	82
Total TIM Group's Derivatives		13,052	15,574	611	176

* The Spot Mark-to-Market above represents the market valuation of the derivative, net of the accrued portion of the flow in progress.

The positions in non hedge accounting derivatives also include IRS Euros for a total notional amount of 1,834 million euros; specifically, these are fair value hedges of bond loans in euros, issued by TIM S.p.A., which transform the fixed-rate coupon into a variable-rate one. The hedges - classified and booked as fair value hedges starting 2013 - have been retroactively discontinued from June 30, 2021 due to the failure of the prospective efficiency tests carried out at December 31, 2021. The test was failed due to the procedure used for fixing in arrears the variable rate benchmark of the derivatives - defined by contract - which can generate misalignments of fair value between the derivative and the underlying bond loan in the prospective volatility risk reduction test in the approach to the maturity date of the hedge.

It is specified that, although formally classified as non-hedge, these derivatives substantively continue to guarantee the desired profile of financial expenses in connection with the related bonds.

In the same item, the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 72 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	300	3	(190)
Assets				3	
Liabilities				—	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	—	—	—
Assets				—	
Liabilities				—	
Derivative instruments (spot value)		a)+b)	300	3	(190)
Accruals				1	
Derivative instruments (gross value)				4	
Underlying instruments ⁽¹⁾	Bonds - Current/non-current liabilities		300	(303)	
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		(3)	183
Ineffectiveness ⁽²⁾		a)+b)+c)			(4)
Fair value adjustment for hedging settled in advance ⁽³⁾				(190)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.

(2) Also considers the year's change in derivatives and underlyings belonging to hedges closed early and discontinued in 2021.

(3) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item	Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	4,855	375	(46)
Assets			1,131	(274)	
Liabilities			(756)	228	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	5,195	173	692
Assets			755	425	
Liabilities			(582)	267	
Derivative instruments (spot value)	a)+b)	10,050	548	646	
Accruals			65		
Derivative instruments (gross value)			613		
of which equity reserve gains and losses				255	
Determination of ineffectiveness					
Change in derivatives	c)				141
Change in underlying instruments ⁽⁴⁾	d)				(132)
Ineffectiveness ⁽⁵⁾	Positive fair value adjustment of financial derivatives - non-hedging c)+d)				13
Equity reserve					
Equity reserve balance			(167)		
of which due to the fair value of hedging settled in advance			—		
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)			—	

(4) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.

(5) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

As regards hedging of the forecast transaction - reflected only in the numbers of the equity reserve in the table above - these are future commercial flows for 106 million USD, to be paid in 7 years, hedged by a deposit denominated in the same currency and amount, renewed every three months.

The change in the equity reserve attributable to the effective hedging component is equal to 255 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2020	Changes				Balance 12/31/2021
		Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance	Other	
	(460)					(460)
Change in the effective fair value of derivatives		255				
Change in the CVA/DVA		19				
Reversal for ineffectiveness 2019			19			
Amortization in P&L of the fair value of hedging settled in advance				—		
Other					—	
Overall change						(167)

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	Notional amount in denomination currency (millions)	Start of period	End of period	Rate applied	Interest period	Hedging of notional amount in euro (millions)	Hedging of rate in euro
GBP	375	Jan-22	May-23	5.875%	Annually	552	5.535%
JPY*	20,000	Jan-22	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-22	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-22	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-22	May-24	5.303%	Semiannuall	1,099	4.226%
USD	1,000	Jan-22	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-22	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-22	Jun-38	7.721%	Semiannuall	645	7.470%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.

** Hedging of the sole income cash flow following a step-up on the loan.

The method selected to test the effectiveness retrospectively and, whenever the main terms do not fully coincide, prospectively, for cash flow hedge derivatives and fair value hedge derivatives is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 19

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed;
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2021 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2021 and December 31, 2020 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair value through other comprehensive income	FVTOCI
Fair value through profit or loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair value through profit or loss	FVTPL
Hedging Derivatives	HD
Not applicable	n.a.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2021

their fair value at 12/31/2021												
(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021	
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3			
ASSETS												
Financial assets measured at amortized cost			AC	10,115	10,115	—	—				10,115	
Non-current assets												
Receivables from employees			(9)		39							
Other financial receivables			(9)	2	211							
Miscellaneous non-current receivables			(10)	144	144							
Current assets												
Receivables from employees			(9)		12							
Other short-term financial receivables			(9)		9							
Cash and cash equivalents			(9)	6,904	6,904							
Trade receivables			(13)	2,675	2,675							
Other current receivables			(13)	101	101							
Contract assets			(13)	20	20							
Financial assets measured at fair value through other comprehensive income			FVTOCI	1,671	—	1,671	—				1,671	
Non-current assets												
Other investments			(8)	156	156		—	114	42			
Securities other than investments			(9)		—		—					
Current assets												
Trade receivables			(13)		—							
Securities other than investments			(9)	1,515	1,515		1,515					
Financial assets measured at fair value through profit or loss			FVTPL	875	—	—	875				875	
Non-current assets												
Non-hedging derivatives			(9)	100		100		100	—			
Current assets												
Securities other than investments			(9)	734		734	734					
Non-hedging derivatives			(9)	41		41		41				
Hedging Derivatives			HD	2,012	—	2,012	3				2,015	
Non-current assets												
Hedging Derivatives			(9)	1,933	1,933	2		1,935	—			
Current assets												
Hedging Derivatives			(9)	79	79	1		80	—			
Financial receivables for lease contracts			n.a.	101						101	101	
Non-current assets			(9)							45		
Current assets			(9)	56						56		
Total				14,777	10,115	3,683	878	2,249	2,270	42	14,777	

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021	
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3			
LIABILITIES												
Financial liabilities measured at amortized cost		AC/HD	35,096	35,096							36,077	
Non-current liabilities												
Financial payables (medium/long-term)		(15)	22,083	22,083								
Current liabilities												
Financial payables (short-term)		(15)	5,8	5,847								
Trade and miscellaneous payables and other current liabilities		(23)	7,056	7,056								
Contract liabilities		(23)	11	110								
Financial liabilities measured at fair value through profit or loss		FVTPL	53				53				53	
Non-current liabilities												
Non-hedging derivatives		(15)					17	2	15			
Current liabilities												
Non-hedging derivatives		(15)	3				36	36	—			
Hedging Derivatives		HD	1,3	1,399			—				1,399	
Non-current liabilities												
Hedging Derivatives		(15)	1,3	1,337			—			1,337	—	
Current liabilities												
Hedging Derivatives		(15)		62			—			62	—	
Financial liabilities for lease contracts		n.a.	4,715							4,715	5,542	
Non-current liabilities		(15)	4,0							4,064		
Current liabilities		(15)	6							651		
Total			41,2	35,096	1,399	53	—	1,437	15	4,715	43,071	

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2020

Fair value at 12/31/2020											
(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2020	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2020
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		8,263	8,263	—	—					8,263
Non-current assets											
Receivables from employees		(9)	40	40							
Other financial receivables		(9)	213	213							
Miscellaneous non-current		(10)	151	151							
Current assets											
Receivables from employees		(9)	13	13							
Other short-term financial receivables		(9)	2	2							
Cash and cash equivalents		(9)	4,829	4,829							
Trade receivables		(13)	2,905	2,905							
Other current receivables		(13)	85	85							
Contract assets		(13)	25	25							
Financial assets measured at fair value through other comprehensive income											
	FVTOCI		821	—	821	—					821
Non-current assets											
Other investments		(8)	54		54		—	16	38		
Securities other than investments		(9)	—		—		—				
Current assets											
Trade receivables		(13)			—						
Securities other than investments		(9)	767		767		767				
Financial assets measured at fair value through profit or loss											
	FVTPL		419	—	—	419					419
Non-current assets											
Non-hedging derivatives		(9)	44			44		44	—		
Current assets											
Securities other than investments		(9)	325			325	325				
Non-hedging derivatives		(9)	50			50		50			
Hedging Derivatives	HD		2,067	—	1,851	216					2,067
Non-current assets											
Hedging Derivatives		(9)	1,970		1,778	192		1,970	—		
Current assets											
Hedging Derivatives		(9)	97		73	24		97	—		
Financial receivables for lease contracts	n.a.		98							98	98
Non-current assets		(9)	43							43	
Current assets		(9)	55							55	
Total			11,668	8,263	2,672	635	1,092	2,177	38	98	11,668

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2020	Amounts recognized in financial statements			Levels of hierarchy or of fair value		Carrying amount under IFRS 16	Fair Value at 12/31/2020
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2		
LIABILITIES										
Financial liabilities measured at amortized cost		AC/HD	29,875	29,875						32,299
Non-current liabilities										
Financial payables (medium/long-term)		(15)	21,813	21,813						—
Current liabilities										
Financial payables (short-term)		(15)	3,613	3,613						—
Trade and miscellaneous payables and other current liabilities		(23)	4,329	4,329						
Contract liabilities		(23)	120	120						
Financial liabilities measured at fair value through profit or loss		FVTPL	12			12				12
Non-current liabilities										
Non-hedging derivatives		(15)	10			10		10		
Current liabilities										
Non-hedging derivatives		(15)	2			2		2		
Hedging Derivatives		HD	1,894		1,894	—				1,894
Non-current liabilities										
Hedging Derivatives		(15)	1,832		1,832	—		1,832		
Current liabilities										
Hedging Derivatives		(15)	62		62	—		62		
Financial liabilities for lease contracts		n.a.	4,830						4,830	5,103
Non-current liabilities		(15)	4,199						4,199	
Current liabilities		(15)	631						631	
Total			36,611	29,875	1,894	12	—	1,906	4,830	39,308

Gains and losses by IAS 9 category - Year 2021

(million euros)	Categories IFRS9	Net gains/(losses) 2021	of which interest
Assets measured at amortized cost	AC	(275)	62
Assets and liabilities measured at fair value through profit or loss	FVTPL	(10)	
Assets measured at fair value recognized in the statements of comprehensive income	FVTOCI	5	
Liabilities measured at amortized cost	AC	(958)	870
Total		(1,238)	932

Gains and losses by IAS 9 category - Year 2020

(million euros)	IFRS 9 categories	Net gains/(losses) 2020	of which interest
Assets measured at amortized cost	AC	(441)	23
Assets and liabilities measured at fair value through profit or loss	FVTPL	108	
Assets measured at fair value recognized in the statements of comprehensive income	FVTOCI	3	
Liabilities measured at amortized cost	AC	(967)	961
Total		(1,297)	984

NOTE 20

PROVISIONS FOR EMPLOYEE BENEFITS

These decreased by 64 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)	12/31/2019	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2020
Provision for employee severance indemnities (a)	841	—	(142)	2	701
Provisions for pension plans	24	1	(2)	—	23
Provision for termination benefit incentives and corporate restructuring	559	34	(552)	(2)	39
Total other employee benefits (b)	583	35	(554)	(2)	62
Total (a+b)	1,424	35	(696)	—	763
<i>of which:</i>					
non-current portion	1,182				724
current portion (*)	242				39

(*) The current portion refers only to Other provisions for employee benefits.

(million euros)	12/31/2020	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2021
Provision for employee severance indemnities (a)	701	20	(48)	5	678
Provision for pension and other plans	23		(2)		21
Provision for termination benefit incentives and corporate restructuring	39	8	(44)	(3)	—
Total other employee benefits (b)	62	8	(46)	(3)	21
Total (a+b)	763	28	(94)	2	699
<i>of which:</i>					
non-current portion	724				699
current portion (*)	39				—

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased on the whole by 23 million euros. The decreases of 48 million euros relating to indemnities paid during the year to employees who terminated employment or for advances.

The increase of 20 million euros in the “Increases/Present value” column consists of the following:

(million euros)	2021	2020
(Positive)/negative effect of curtailment	—	(1)
Current service cost (*)	—	—
Finance expenses	5	6
Net actuarial (gains) losses for the year	15	(5)
Total	20	—
Effective return on plan assets	there are no assets servicing the plan	

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under “Employee benefits expenses” under “Social security expenses”. The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

The net actuarial losses recognized at December 31, 2021 amounted to 15 million euros (net actuarial gains of 5 million euros in 2020), and are essentially connected with the inflation rate forecast, which went from 0.8% at December 31, 2020 to 1.75% at December 31, 2021; the discount rate also increased, going from the 0.34% used at December 31, 2020 to 0.98% at December 31, 2021.

According to national law, the amount of provision for employee severance indemnities to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The amount of severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the

provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	1.75% per annum	1.75% per annum
Discount rate	0.98% per annum	0.98% per annum
Employee severance indemnities annual increase rate	2.81% per annum	2.81% per annum
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 678 million euros at December 31, 2021 (701 million euros at December 31, 2020).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 10 years.

CHANGES IN ASSUMPTIONS	Amounts (million euros)
Turnover rate:	
+0.25 p.p.	2
- 0.25 p.p.	(2)
Annual inflation rate:	
+0.25 p.p.	(12)
- 0.25 p.p.	11
Annual discount rate:	
+0.25 p.p.	15
- 0.25 p.p.	(16)

The **Provision for pension and other plans** amounted to 21 million euros at December 31, 2021 (23 million euros at December 31, 2020) and mainly represented pension plans in place at foreign companies of the Group.

The **Provisions for incentive to take early retirement and company restructuring** reduce by a total of 39 million euros, zeroing during the period, as a result of outgoings and the reclassification to debt of the amounts not yet paid, relative to both plans already accrued during previous years and 2021 expenses, following the application of the trade union agreements signed by the Parent Company and the trade unions on March 8, 2021 and on April 23, 2021 as well as the expenses related to the agreements signed respectively on March 15, 2021 by the company Olivetti, on April 27, 2021 by the company Noovle S.p.A. and on May 6, 2021 by the company Telecom Italia Sparkle.

NOTE 21

PROVISIONS

These increased by 346 million euros compared to December 31, 2020. The breakdown is as follows:

(million euros)	12/31/2020	Increase	Taken to income	Used directly	Exchange differences and other changes	12/31/2021
Provision for taxation and tax risks	67	6	—	(3)	3	73
Provision for restoration costs	274	15	—	(8)	—	281
Provision for legal disputes	747	62	—	(370)	2	441
Provision for commercial risks	29	657	(3)	(7)	1	677
Provision for risks and charges on investments and corporate-related transactions	21	2	(4)	—	(7)	12
Other provisions	4	2	—	(2)	—	4
Total	1,142	744	(7)	(390)	(1)	1,488
of which:						
non-current portion	770					926
current portion	372					562

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account cash outflow forecasts.

The **provision for taxation and tax risks** increased by 6 million euros compared to December 31, 2020.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile sector and for the dismantling of certain assets (particularly batteries and wooden piling); it mainly refers to the parent company (149 million euros), the company FiberCop (127 million euros) and the Brazil Business Unit (5 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2021 included 356 million euros for the Domestic Business Unit, a reduction on December 31, 2020 following use for transactions and legal agreements and 84 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. In 2021, it increased by 648 million euros, mainly following the posting of 548 million euros of Contractual Risk Provisions for Onerous Contracts (IAS 37) relative to contracts with certain counterparties for multimedia content offers. Further details are provided in the Note "Significant non-recurring Events and Transactions".

The **provision for risks and charges on investments and corporate-related transactions** reduces by 9 million euros on the previous year.

Other provisions for risks and charges come to 4 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 22

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item decreased by 2,189 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)	12/31/2021	12/31/2020
Miscellaneous payables (non-current)		
Payables to social security agencies	452	501
Income tax payables (*)	231	493
Other payables	7	1,748
(a)	690	2,742
Other non-current liabilities		
Deferred revenues from customer contracts (Contract liabilities)	88	106
Other deferred revenue and income	368	460
Capital grants	267	294
(b)	723	860
Total	(a+b) 1,413	3,602

(*) Analyzed in the Note "Income tax expense".

Miscellaneous non-current payables include:

- **Payables to social security agencies** amounting to 452 million euros, mainly relating to the aforementioned debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012 (for further details see the Note "Employee benefits expenses"). This debt position (non-current and current portion) is as follows:

(million euros)	12/31/2021	12/31/2020
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	443	494
Due beyond 5 years after the end of the reporting period	9	7
	452	501
Current payables	258	298
Total	710	799

- **other payables** equal to 7 million euros at December 31, 2021. These decreased from December 31, 2020, essentially due to the reclassification to miscellaneous current payables of 1,738 million euros relating to the last installment to be paid by September 2022 relating to the purchase - which took place in 2018 - of the rights-of-use for the frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, to be allocated on 5G mobile communication services in Italy.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 88 million euros (106 million euros at December 31, 2020) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2021 will be reversed to the income statement generally by 2023. In particular, the item includes:
 - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (42 million euros);
 - TIM S.p.A. deferred revenues for network access subscription charges (25 million euros);
 - Deferred revenues of TIM S.p.A. for outsourcing charges (13 million euros);
 - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (4 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.
- **Other deferred revenue and income** totaling 368 million euros; the item consisted of the non-current portion (approx. 108 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity (lease operating income).
- **Capital grants** of 267 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the ultrabroadband-UBB and broadband-BB projects.

NOTE 23

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

Miscellaneous payables and other non-current liabilities rose by 2,885 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)	12/31/2021	of which Financial Instruments	12/31/2020	of which Financial Instruments
Trade payables				
Payables to suppliers	4,745	4,745	3,689	3,689
Payables to other telecommunication operators	416	416	444	444
(a)	5,161	5,161	4,133	4,133
Tax payables	(b)		226	
Miscellaneous payables				
Payables for employee compensation	176		166	
Payables to social security agencies	386		428	
Payables for TLC operating fee	165		80	
Dividends approved, but not yet paid to shareholders	36	36	33	33
Other	1,968	1,859	263	163
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months	—		39	
Provisions for risks and charges for the current portion expected to be settled within 12 months	562		372	
(c)	3,293	1,895	1,381	196
Other current liabilities				
Liabilities from customer contracts (Contract liabilities)	757	110	741	120
Other deferred revenue and income	66		86	
Other	28		21	
(d)	851	110	848	120
Total	(a+b+c+d) 9,473	7,166	6,588	4,449

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,161 million euros (4,133 million euros at December 31, 2020), mainly refer to:

- TIM S.p.A. (3,574 million euros); the increase on December 31, 2020 reflects the dynamics of payments relative to bills payable;
- Brazil Business Unit (984 million euros); the increase on December 31, 2020 is connected with the November 2021 purchase of 5G licenses.

At December 31, 2021, trade payables due beyond 12 months totaled 73 million euros (44 at December 31, 2020) and are mainly represented by payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses, also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

For more details on the acquisition of 5G licenses in Brazil, see the Note on "Intangible assets".

Tax payables amounted to 168 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (72 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax authorities for tax payables withheld as withholding agent (61 million euros), the amount payable for the government concession tax (5 million euros) and the VAT payable (2 million euros).

Miscellaneous payables mainly include:

- the residual payable relating to the acquisition, by TIM S.p.A., of the rights to use 5G licenses (1,738 million euros), reclassified in 2021 from Miscellaneous payables and other non-current liabilities following the deadline envisaged in 2022;
- the current debt position towards INPS in relation to the application of the agreements signed relating to Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012, as described in the Note “Miscellaneous payables and other non-current liabilities”.

Other current liabilities amounted to 851 million euros (848 million euros at December 31, 2020). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 757 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers are shown below, which generally have a maturity within 12 months; therefore, the figure at December 31, 2021 will be paid back substantially by December 31, 2022.

In particular:

- **contract liabilities** amounting to 11 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized. The decrease recognized in the year 2021 (-8 million euros) was mainly linked to the launch of commercial offers that no longer require a fixed duration and the reversal to the income statement of the balance previously accumulated;;
- **customer-related items**, equal to 389 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription fees charged in advance;
- **progress payments and advances** equal to 63 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **deferred revenues from customer contracts**, equal to 294 million euros essentially include:
 - Parent Company deferred revenues for rent and maintenance fees (131 million euros);
 - Parent Company deferred revenues for interconnection fees (116 million euros);
 - Parent Company deferred revenues on activation and installation of new contracts with customers (7 million euros).
- **Other deferred revenue and income** amounted to 66 million euros. They mainly refer to deferred revenues from transmission capacity transfer contracts and deferred revenues from real estate leases (lease operating income).
- **Other** (28 million euros, 21 million euros at December 31, 2020): this refers to payables for advances on work in progress on networks.

NOTE 24

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2021, as well as those that came to an end during the period. The TIM Group has posted liabilities totaling 313 million euros for those disputes described below where the risk of losing the case has been considered probable.

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

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

a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2021, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16.3 billion reais (16.6 billion reais at December 31, 2020). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.1 billion reais (4.3 billion reais at December 31, 2020).

State taxes

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

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

Overall, the risk for these cases, considered to be possible, amounts to 8.8 billion reais (8.6 billion reais at December 31, 2020).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.2 billion reais (around 0.7 billion reais at December 31, 2020).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 3.2 billion reais (3 billion reais at December 31, 2020).

Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair

In December 2008 TIM received notification of the application for its committal for trial for the administrative offense specified in articles 21 and 25, subsections 2 and 4, of legislative decree no. 231/2001 in relation to the affairs that involved several former employees of the Security function and former collaborators of the Company charged – among other things – with offenses involving corruption of public officials, with the object of acquiring information from confidential files. In May 2010 TIM definitively ceased to be a defendant in the criminal trial, the Judge for the Preliminary Hearing having approved the motion for settlement of the proceedings (plea bargaining) presented by the Company. In the hearing before Section One of the Milan Court of Assizes, TIM acted in the dual role of civil party and civilly liable party. In fact, on the one hand it was admitted as civil party against all the defendants for all charges, and on the other it was also cited as the party with civil liability pursuant to article 2049 of the Italian Civil Code for the actions of the defendants in relation to 32 civil parties. Telecom Italia Latam and Telecom Italia Audit and Compliance Services (now incorporated into TIM) also participated in the hearing as civil parties, having filed appearances since the Preliminary Hearing and brought charges against the defendants for hacking. After the lengthy evidence hearings, 22 civil parties filed claims for compensation, also against TIM as civilly liable party, for over 60 million euros (over 42 million euros of which requested by a single civil party). The Company itself, as civil party, also summarized its conclusions against the defendants, requesting that they be found liable for all the damages suffered as a result of the facts of the case. In February 2013, Section 1 of the Milan Court of Assizes issued the first instance judgement, sentencing the defendants to terms of imprisonment of between 7 years and 6 months and one year. The Court also recognized that there had been non-pecuniary damage to some of the civil parties as a consequence of the alleged facts, and sentenced the defendants, jointly and severally with civilly liable party TIM, to compensate said damages, totaling 270,000 euros (in part jointly and severally with Pirelli) plus legal fees; at the same time the Court also sentenced the defendants to pay compensation for pecuniary and non-pecuniary damages incurred by the Company, granting it a provisional sum of 10 million euros. The judgement also recognized the existence of non-pecuniary damage to the companies Telecom Italia Latam and Telecom Italia Audit & Compliance Services, sentencing the defendants to pay compensation for damages on an equitable basis of 20,000 euros for each company. In November 2013 the grounds for the judgement in the first instance were published (which, for its part, the Company decided not to contest). At the end of the appeal, which was brought by the convicted defendants, the judgement in the first instance was partly reversed. The appeal judge acknowledged that the time-limit had expired on the majority of the charges and made an order not to proceed against the defendants who had been convicted in the lower court, with the exception of two former private investigators, who were found guilty of the offense of revealing information which was subject to a prohibition on disclosure. As for the civil judgements, the Court revoked those made by the judge of first instance and ruled in favor of three ministries, AGCM (the Italian Competition Authority) and the Revenues Agency. The Court also decided to revoke the provisional sum of 10 million euros awarded to the Company as civil party at the end of the proceedings in the court of first instance, making a generic ruling that the defendants should pay compensatory civil damages. Finally, the appeal judge also rejected all the demands for compensation advanced in the appeals by certain civil parties for a total of about 60 million euros, in respect of which the Company has the role of party liable for damages. At the end of the appeal, therefore, the civil rulings settled in the first instance were confirmed which TIM, as the party liable for damages, had already paid to the damaged requesting parties. The three defendants brought an appeal to the Court of Cassation against the judgement of the second instance issued by the Milan Appeal Court of Assizes. In April 2018 the Supreme Court confirmed the convictions of the defendants and canceled the civil rulings, referring the issue back to the civil court for a more careful assessment of the claims made, above all concerning proof of the "quantum". It also annulled and referred the confiscation in favor of the State. The annulment of the security measure was lastly and definitively confirmed with a ruling by the Court of Cassation filed in January 2021.

Golden Power Case

In August 2017 the Prime Minister's office brought proceedings against TIM (as well as Vivendi) in order to verify the fact that TIM has an obligation to notify, pursuant to the "Golden Power" law, Vivendi's acquisition of corporate control of TIM and the strategic assets it holds. In September 2017, the proceedings in question concluded by affirming that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders' Meeting that renewed TIM's corporate boards).

As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of the financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR)R: (i) accepted TIM's

request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the "Golden Power" law). This surety was renewed in May 2021.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM's appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible.

On the other hand, the Presidency of the Council of Ministers exercised the special powers prescribed in the Golden Power law through two specific rulings in October and November 2017 with which it imposed specific prescriptions and conditions on TIM and on the companies of the Telecom Italia Sparkle group and Telsy Elettronica e Telecomunicazioni (now Telsy S.p.A.).

The prescriptions, according to the Administrative Authority, are essentially connected to the circumstance that these companies, in part, perform activities that are relevant for national security and as far as TIM is concerned to the circumstance that it also owns the infrastructure and the systems used to provide access to end-users of services covered by the universal service obligation.

Any failure on the part of the recipients of the measures to execute said conditions and prescriptions is penalized in the same way as failure to notify significant deeds for the purpose of the application of the so-called Golden Power.

The companies subject to the prescriptions are required to send periodic reports to a special Monitoring Committee established at the office of the Prime Minister in order to verify compliance with the aforementioned prescriptions.

In December 2017 the Group sent to the Presidency of the Council of Ministers the first compliance report outlining all the proposals and activities put in place to carry out the prescriptions. This report is then followed by half yearly reports, as required by current legislation.

Nevertheless, also for this case TIM has already filed two extraordinary appeals to the President of the Republic to request the cancellation (i) of the imposition of the measures pursuant to Art. 1 D.L. 21/2012 and (ii) the imposition of measures pursuant to Art. 2 D.L. 21/2012.

As stated, the premise for exercising special powers was (erroneously, according to the Company) referred to the de facto control resulting from the outcome of the shareholders' meeting of May 4, 2017 and to the direction and coordination of TIM by Vivendi. Both these circumstances no longer apply, since: at the Shareholders' Meeting of May 4, 2018, the slate presented by the shareholders Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership received the majority vote; the Board of Directors was re-appointed with 13 independent directors out of a total of 15, with only 5 from the slate presented by Vivendi; thus, Vivendi no longer has direction and coordination, nor is there de facto control.

In consequence, the Company has asked the Presidency of the Council of Ministers to repeal the two Decrees, while, in the alternative, expressing its willingness to collaborate in the redrafting of the prescriptions applied to TIM, to take account of the changed situation.

The Presidency of the Council of Ministers, in decrees issued on July 6, 2018, deemed that it could not further exercise its special powers, reaffirming the validity of the two Decrees it had previously issued, and rejected the application for their repeal.

The justification for this refusal is the purported circumstance that the new governance arrangements of the Company are alleged to be currently characterized by extreme variability; this, it is argued, means that the measures through which the special powers have been exercised cannot be surmounted, given the need to protect the public interest in the security and operation of the networks.

The Company has lodged an appeal, with additional reasons and as part of the appeals already lodged, against the Prime Minister's decrees of October 16 and November 2, 2017, and against the Prime Minister's resolution of July 6, 2018, rejecting the appeal for revocation presented by the company, on the outcome of the changed situation in corporate governance.

Antitrust Case A428

At the conclusion of case A428, in May 2013, Italian Competition Authority AGCM imposed two administrative sanctions of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM),

and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgement of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgement no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM's final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new super-fast broadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) to inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and AGCOM communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel.

Vodafone (A428)

In August 2013, Vodafone, as incorporating company of operator Teletu, submitted to the Milan Court a huge claim for damages for presumed abusive and anticompetitive behavior (founded principally on AGCM case A428) which TIM allegedly implemented in the period 2008 - 2013. The pecuniary claim was quantified by Vodafone as an estimated sum of between 876 million euros and 1,029 million euros.

In particular, Vodafone alleged technical boycotting activities, with refusal to activate lines requested for Teletu customers (in the period from 2008 to the month of June 2013), together with the adoption of allegedly abusive price policies for wholesale network access services (period from 2008 to the month of June 2013). Furthermore, the other party complained of the presumed application of discounts to business customers greater than those envisaged ("margin squeezing") and the carrying out of presumed illegal and anticompetitive win-back practices (in the period from the second half of 2012 to the month of June 2013).

TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim. Following the August 2016 decision by the Court of Cassation which confirmed that the Milan Court had jurisdiction to decide the dispute, the merits of the case will be decided at the hearing in December 2016.

With writ of summons before the Milan Court served in May 28, 2015, Vodafone filed additional damages claims, all based on the same AGCM A428 decision and referring to alleged damages suffered between July 2013 and December 2014 (and hence over a period subsequent to that of the damages claim reported above), for a total amount of around 568.5 million euros.

The case also contains a reservation of further damages to be quantified, during the proceedings, for the following periods, the claimant alleging that the presumed abusive conduct of TIM continued. TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim.

By order of October 6, 2016, the judge received Vodafone's application for the two A428 lawsuits brought by it to be joined. At the end of the reinstatement proceedings of December 21, the terms were established for the preliminary briefs and a hearing was fixed for July 11, 2017 for the admission of evidence. When the first preliminary brief was filed, following the favorable outcome for TIM of proceedings A428C (which confirmed the absence of improper conduct by the Company under A428 after 2011), Vodafone decided nonetheless to file further claims for 2015-2016, thus restating its total claim to be 1,812 million euros, which was also disputed and rebutted by TIM.

The case was settled as part of a global settlement with Vodafone.

Colt Technology Services

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations.

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

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

Teleunit

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

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

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

MC-Link

With writ of summons before the Rome Court, MC-Link filed a damages claim for a total of 51 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2012, in the form of technical boycotting (refusals to activate wholesale services – KOs). The claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In August 2021, the case was settled as part of a global settlement with the opposing party.

Eutelia and Clouditalia Telecomunicazioni

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009–2012, following the technical boycott and margin squeeze conduct, subject of the AGCM A428 procedure. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings.

Antitrust Case I761

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

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

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

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

In November 2014, for reasons of procedural economy and also convinced that it was acting legitimately, TIM presented to the Authority a proposal of undertakings in order to resolve the competition concerns subject of the investigation. On December 19, 2014, AGCM (the Italian Competition Authority) issued its decision finding that the undertakings were not clearly unfounded and subsequently ordered their publication for market testing.

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

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

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

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

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

Vodafone (I761)

With a writ of summons before the Milan Court, Vodafone has sued TIM and some network companies, bringing claims for compensation from the Company for around 193 million euros for damages arising from alleged anti-competitive conduct censured in the known AGCM case I-761 (on corrective maintenance) referring to the period from 2011 to 2017.

Vodafone contests the alleged breach of the competition rules carried out by TIM, in the wholesale markets giving access to its fixed network (LLU lines; Bitstream; WLR), through the abuse of a dominant market position and an unlawful agreement with the maintenance companies to maintain the monopoly on the offer of corrective maintenance services on its network. Specifically, the restrictive agreement allegedly concerned the coordination, by the Company, of the economic terms and conditions contained in the bids for maintenance services prepared by the aforementioned companies for OAOs, with artificially high prices with respect to the cost of the maintenance included in the regulated access fee, with a view to discouraging the disaggregation of the service itself. The Company filed an appearance, contesting all of the other party's requests. The case was settled as part of a global settlement with Vodafone.

Antitrust Case A514

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

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

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

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

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

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

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

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

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

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

The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros. TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment given on February 28, 2022, the Lazio Administrative Court rejected TIM's appeal; it now intends to bring an appeal before the Council of State by the legal deadline.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision. The hearing before the Lazio Regional Administrative Court was held on November 3, 2021. The Company is awaiting the judgement.

In May 2021, the Company paid the fine.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF. During the course of the proceedings, this amount was increased to 2.6 billion euros.

Vodafone

In January 2021, Vodafone Italia S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 100 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by the AGCM (the Italian Competition Authority), with the provision that concluded case A514.

The conduct of TIM sanctioned by the Authority allegedly resulted in a slowing of the penetration of UBB infrastructures on the market of white areas and, consequently, the delayed or failed acquisition of new customers by Vodafone, as well as a hindrance to acquiring additional customers as a result of the alleged binding practices over the whole of national territory. TIM will file an appearance with a series of solid legal arguments for its own protection. The case was settled as part of a global settlement with Vodafone.

Fastweb

In February 2021, Fastweb S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 996 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded case A514, as well as allegedly opportunistic suspensions of activation orders sent by Fastweb.

Fastweb complains that TIM allegedly delayed the wholesale offer of ultrabroadband services by Open Fiber in the white areas, consequently slowing the offer of said services by Fastweb to its end customers in these areas; binding practices were implemented in relations with the end customer, hindering access to the market by alternative operators (including Fastweb). In addition, TIM allegedly instrumentally managed the supply process of wholesale access services to its fixed broadband and ultrabroadband network, opportunistically suspending the activation orders submitted by Fastweb and thereby hindering its activation of new customers. TIM filed an appearance laying out solid arguments refuting Fastweb's claims. In August 2021, the case was settled as part of a settlement with Fastweb.

Antitrust Case I799

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

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

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

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

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

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

Vodafone

In June 2015 Vodafone issued proceedings for damages in the Milan Court for alleged abuse of a dominant position by TIM in the bitstream “NGA” and “VULA” fiber access services market, initially claiming around 4.4 million euros, increased to a figure ranging from 30 to 48.9 million euros.

The plaintiff complained that TIM allegedly had engaged in abusive conduct by way of aggressive price offers to win customers and by hindering Vodafone's access to the fiber network to make it more difficult for the party to provide ultra-broadband services to its customers.

TIM has filed an appearance, challenging the claims of the plaintiff in full and, subsequently, the revised estimate of damages made in 2016 during the case. The case was settled as part of a global settlement with Vodafone.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against.

28-day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. In February 2021, TIM deposited the written observations on the requests for prejudicial judgment with the EUCJ. At the request of the CJEU, the Council of State, in an order published on November 23, 2021, confirmed the referral to the Court of Justice on the preliminary questions raised; the proceedings before the Council of State therefore remain suspended pending the CJEU's decision.

With its Resolution 499/17/CONS, having confirmed the breach of Resolution 121/17/CONS, AGCom fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles.

In March 2018 with resolution no. 112/18/CONS AGCom (i) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle, (ii) cautioned TIM, with regard to fixed-line voice services only, against postponing the starting date of invoices issued after the return to monthly invoicing by the same number of days as those presumably deducted starting from June 23, 2017 with the four-weekly invoicing cycle.

Under Presidential Decree 9/18/PRES, AGCom amended the provisions of Decision 112/18/CONS requiring the deferment of billing once the billing cycle was restored to monthly intervals, or multiples thereof, while also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main consumer protection associations.

In July 2018, AGCom issued resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators had to return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. TIM has appealed all of the above resolutions.

With the judgment published in November 2018, the TAR canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of restitution in integrum to the fixed-line customers by December 31, 2018. TIM filed its preventive appeal before the Council of State to suspend the execution of said decision and, with its ruling of December 20, 2018, the Council of State, in

upholding TIM's appeal, suspended the effectiveness of the aforesaid decision for the reversal order only, until May 21, 2019 while awaiting publication of the grounds for the judgment.

The date of the hearing to discuss the introductory appeal and additional grounds submitted in the meantime by TIM is still to be set. On July 12, 2019 the ruling mechanisms with which the Council of State rejected the similar appeals made by Vodafone, Wind Tre and Fastweb were published and in February 2020 the judgments containing the grounds were published.

In September 2019, TIM also challenged resolution 221/19/CONS, before the Regional Administrative Court (TAR), with which the sanction pursuant to Resolution 499/17/CONS, canceled by the Regional Administrative Court of Lazio, was recalculated to the amount of 580,000.00 euros, with the maximum fine provided for by Art. 98, paragraph 16 of the CCE in force at the time of the events applied.

In August 2019, AGCom initiated new proceedings (CONT 12/19/DTC) for failure to comply with the order to refund the days eroded by billing every 28 days for fixed network and convergent customers, according to the procedures established with resolutions nos. 112/18/CONS and 269/18/CONS. On conclusion of these proceedings, by means of Resolution 75/20/CONS, the Authority found that TIM did not comply with the above resolutions, imposing a fine of 3 million euros. The measure was challenged by TIM before the TAR in July 2020.

Moreover, since June 2019, TIM has offered its fixed network customers, active prior to March 31, 2018 and subject to billing every 28 days, the possibility of accepting a compensatory solution, an alternative to refunding the eroded days pursuant to AGCom resolution no. 269/18/CONS and from September 2019 it has been accepting requests for reimbursement of eroded days. In both cases, TIM informed customers with several messages in the bill, on the web in the main newspapers. The initiatives just described were communicated to AGCom as part of the aforementioned penalty proceedings.

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on 6/4/2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 terdecies of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of amounts paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators had to comply with Resolution no. 121/17/CONS. TIM has appealed the sentence of the Court of Milan, at the same time filing a request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM's request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued consumer customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver.

Antitrust Case I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFEU.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure.

On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM (the Italian Competition Authority) confirmed the existence of the agreement between Telecom, Vodafone, Fastweb, WindTre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. In April 2020, TIM also challenged the sanction order.

In a ruling published on July 12, 2021, the Lazio Regional Administrative Court upheld the petition and the grounds added and submitted by TIM, canceling the measures taken by AGCM (the Italian Competition Authority), including that relating to the existence of the agreement and application of the sanction.

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court.

Antitrust Case I850

By decision given on December 15, 2020, the Italian Competition Authority (AGCM) started an investigation in regard to the company Telecom Italia S.p.A., Fastweb S.p.A., Teemo Bidco S.r.l., FiberCop S.p.A., Tiscali Italia S.p.A. and KKR & Co. Inc., to ascertain the existence of any breaches of article 101 of the TFEU.

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority)

intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country's fixed telecommunications infrastructures.

On August 6, 2021, TIM submitted a proposal of undertakings to AGCM (the Italian Competition Authority) in order to resolve the competition concerns subject of the investigation and close the proceedings without any sanction being applied.

On September 7, 2021, AGCM (the Italian Competition Authority) judged these undertakings to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM in respect of the relevant undertakings.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM finally resolved to approve the undertakings insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated and made them mandatory for the parties without assessing the alleged charges and without sanctions.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

The proceedings are expected to end by June 30, 2022.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of contents transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the aforementioned publication on the AGCM website, the so-called market test began, which will end on February 4 next, the date by which all interested parties will be able to send the Authority their comments on the undertakings in question.

Antitrust Case PS10888 "TIM Passepartout"

On June 15, 2021, AGCM (the Italian Competition Authority) initiated proceedings for unfair commercial practice concerning the lack of transparency of the information provided by the TIM Passepartout payment management platform and alleged activations of services not requested. The proceedings have been initiated on the basis of reports made by individual consumers and should draw to a close in March 2022. On July 29, 2021, undertakings were submitted, thereafter supplemented on February 08, 2022, that, if accepted, will allow the proceedings to close without any findings of infringement and, therefore, without any application of sanctions. The undertakings consist of improving information aspects of the TIM Passepartout platform (active only for Customer Base offers) and implementing a communication campaign aimed at soliciting contact from those who do not recognize the TIM Passepartout charges in order to assess whether there are grounds for a refund. The procedure will be completed by the end of May 2022.

Vodafone Dispute – Universal Service

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

mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This resolution has only been challenged by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned. By judgments published in February 2022, resolution 18/21/CIR was partially canceled. Assessments are currently in progress regarding whether it is appropriate or not to submit an appeal.

Dispute relative to "Adjustments on license fees" for the years 1994-1998

With regard to the judgements sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Administrative Court (TAR) for Lazio rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee.

With two further judgements the Administrative Court (TAR) for Lazio, reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgements.

With reference to the 1998 fee adjustment (equal to about 41 million), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the PA to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court.

Poste

There are some pending actions brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgements issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a 2009 judgement of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgement by the same Court declared void one of the disputed contracts. After this judgement, Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgement of the Supreme Court for amendment of the above judgement is still pending.

After the 2012 judgement of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgement was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal.

Elinet S.p.A. Bankruptcy

In 2014, the trustees in the bankruptcy of Elinet S.p.A., and subsequently the trustees of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the trustees of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of management and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, *inter alia*, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award.

Iliad

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. Upon lifting the reservation on the preliminary motions, the Court adjourned the hearing to May 4, 2022 for the closing arguments.

Iliad

By writ of summons notified in September 2021, Iliad Italia S.p.A. summonsed TIM before the Court of Milan for the alleged application to customers of unlawful contractual conditions in terms of time limits and economic costs for withdrawal with reference to mobile and fixed telephone offers, with a consequent petition to order TIM to compensate damages, currently quantified as 120.4 million euros. On February 1, 2022, the first hearing was held and the terms assigned for the briefs pursuant to article 183, subsection VI of the Italian Code of Civil Procedure.

T-Power

By writ of summons notified in December 2021, T-Power s.r.l., former Agent for the consumer sector, summonsed TIM before the Court of Rome to have the right acknowledged to receive payment of a total maximum amount of approximately 85 million euros by way of commission, compensation in lieu of notice and termination of employment, as well as compensation for damages. The first hearing is scheduled for April 27, 2022.

b) Other information

Mobile telephony - criminal proceedings

In March 2012 TIM was served notice of the conclusion of the preliminary inquiries, which showed that the Company was being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree n. 231/2001, for the offenses of handling stolen goods and counterfeiting committed, according to the alleged allegations, by fourteen employees of the so-called "ethnic channel", with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from TIM.

The Company, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defense, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against the Company be brought against the other defendants. In December 2012, the Public Prosecutor's Office filed a request for 89 defendants and the Company itself to be committed for trial.

During the preliminary hearing, the Company was admitted as civil party to the trial and, in November 2013, the conclusions in the interest of the civil party were filed, reaffirming TIM's total lack of involvement in the offenses claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses (quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

The Public Prosecutor appealed the acquittal and appealed to the Court of Cassation "per saltum". In January 2019, the Italian Supreme Court of Cassation agreed to the appeal and therefore ordered that the documents of the proceedings be sent to the Milan Court of Appeal.

The proceedings were assigned to Chambers IV of the Milan Court of Appeal and are awaiting scheduling of the hearing.

Dispute concerning the license fees for 1998

TIM has issued civil proceedings against the office of the Prime Minister for compensation of the damage caused by the Italian State through appeal judgement no.7506/09 by the Council of State that, in the view of the Company, violates the principles of current European community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgement that has become definitive, in respect of which no other remedy may be applied. The judgement of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgement concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgement in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of the aforementioned analyzes aimed at reaching a definition of the appeal sentence, it should be pointed out that on January 25, 2021 the company filed a request with the Rome Court of Appeal to bring forward the hearing (postponed, as mentioned, to January 25, 2022) in order to avoid yet another postponement of the case, which, as we know, concerns the non-compliance with two inter partes decisions, on the same matter, by the Court of Justice of the European Union for a clear violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies.

Vodafone (previously TELETU)

By writ of summons of February 2012, TIM summonsed the operator TeleTu (today incorporated into Vodafone) to the Court of Rome for having unduly impeded customers intending to return to TIM. The damages claim has been quantified for approximately 93 million euros. By judgment of December 2020, the Court ascertained that from July 2008 to October 2011, TELETU pursued illegal competition pursuant to art. 2598 of the Italian Civil Code in connection with requests for migration to TIM, ordering it to compensate TIM for the amount of 1,378,000 euros plus interest and revaluation, which was paid by Vodafone. As part of a global settlement with Vodafone, the parties have agreed to abstain from challenging this judgment.



Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.

To cover such contingent liabilities, amounting to a total of around 250 million euros, provisions totaling approximately 10 million euros have been allocated solely for those cases for which payment is considered likely.

Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has undertakings to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

C) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 54 million euros.

The guarantees provided by third parties to Group companies, amounting to 6,894 million euros, related to guarantees provided by banks and other financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the TIM Group had six bank guarantees issued in favor of the Ministry of Economic Development for a total of 1,922 million euros for the deferment of the payment of the amount due for the acquisition of user rights to frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, which will be reserved for 5G mobile telecommunications services in Italy. At December 31, 2021, the remaining guarantee was 1,738 million euros;
- the insurance guarantees, which totaled 930 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,422 million euros, of which 1,360 million euros for TIM S.p.A. and 62 million euros for Group companies.

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

There are also surety bonds on the telecommunication services in Brazil for 653 million euros.

d) Assets guaranteeing financial liabilities

The special rate loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM S.A. to a total value of 63 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the receipts which transit on the bank accounts of the company.

NOTE 25

REVENUES

These decreased by 489 million euros compared to 2020. The breakdown is as follows:

(million euros)	2021	2020
Equipment sales	1,411	1,402
Services	13,905	14,403
Total	15,316	15,805

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,264 million euros (1,198 million euros in 2020), included in Costs of services.

Revenues from services in 2021 include revenues for voice and data services on fixed and mobile networks for Retail customers for 8,203 million euros and for other Wholesale operators for 2,805 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 26

OTHER INCOME

This item rose by 61 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Late payment fees charged for telephone services	39	46
Recovery of employee benefit expenses, purchases and services rendered	12	14
Capital and operating grants	28	34
Damages, penalties and recoveries connected with litigation	27	24
Estimate revisions and other adjustments	71	59
Special training income	67	13
Other	28	21
Total	272	211

NOTE 27

ACQUISITION OF GOODS AND SERVICES

This item rose by 377 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Acquisition of raw materials and goods	(a) 1,266	1,203
Costs of services:		
Revenues due to other TLC operators	1,264	1,198
Costs for telecommunications network access services	119	116
Commissions, sales commissions and other selling expenses	974	996
Advertising and promotion expenses	212	196
Professional and consulting services	253	216
Utilities	434	435
Maintenance costs	291	277
Outsourcing costs for other services	378	348
Mailing and delivery expenses for telephone bills, directories and other materials to customers	38	46
Other service expenses	718	706
	(b) 4,681	4,534
Lease and rental costs:		
Rent and leases	51	51
TLC circuit subscription charges	96	87
Other lease and rental cost	456	298
	(c) 603	436
Total	(a+b+c) 6,550	6,173

In 2021, non-recurring operating costs related to procurement and miscellaneous costs of approximately 4 million euros were incurred, which were necessary to manage the health emergency related to COVID-19. For more details, see the Note "Significant non-recurring Events and Transactions".

In 2021, lease and rental costs included around 11 million euros in short-term lease payments of modest value (approximately 11 million euros in 2020).

NOTE 28

EMPLOYEE BENEFITS EXPENSES

This item rose by 302 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Ordinary employee expenses		
Wages and salaries	1,794	1,804
Social security costs	651	647
Other employee benefits	148	146
(a)	2,593	2,597
Costs and provisions for temp work	(b)	—
Miscellaneous expenses for personnel and other labor-related services rendered		
Charges for termination benefit incentives	8	1
Corporate restructuring expenses	336	38
Other	4	3
(c)	348	42
Total	(a+b+c)	2,941
	2,941	2,639

Employee benefits expenses mainly related to the Domestic Business Unit for 2,703 million euros (2,401 million euros in 2020) and to the Brazil Business Unit for 237 million euros (236 million euros in 2020).

“Company restructuring expenses” came to 336 million euros (38 million euros in 2020) and are mainly related to the 2021 recording of the expenses connected with the application of the trade union agreements signed by the Parent company with the trade unions on March 8, 2021 and on April 23, 2021 and the agreements signed respectively on March 15, 2021 by the company Olivetti, on April 27, 2021 by the company Noovle S.p.A. and on May 6, 2021 by the company Telecom Italia Sparkle.

In 2021, non-recurring costs were incurred for approximately 1 million euros, made necessary to address the COVID-19 health emergency. For more details, see the Note “Significant non-recurring Events and Transactions”.

The average salaried workforce, including personnel with temp work contracts, stood at 47,942 employees in 2021 (49,099 in 2020). A breakdown by category is as follows:

(number of units)	2021	2020
Executives	612	587
Middle managers	4,154	4,083
Workers	43,110	44,420
Blue collars	54	—
Employees on payroll	47,930	49,090
Employees with temp work contracts	12	9
Total average salaried workforce	47,942	49,099

Headcount in service at December 31, 2021, including personnel with temp work contracts, stood at 51,929 employees (52,347 at December 31, 2020), showing a decrease of 418 employees.

NOTE 29

OTHER OPERATING EXPENSES

This item rose by 541 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Write-downs and expenses in connection with credit management	305	423
Provision charges	704	43
TLC operating fees and charges	189	199
Indirect duties and taxes	99	96
Penalties, settlement compensation and administrative fines	127	120
Association dues and fees, donations, scholarships and traineeships	12	12
Other	66	68
Total	1,502	961
<i>of which, included in the supplementary disclosure on financial instruments</i>	<i>305</i>	<i>423</i>

“Provision charges” for 2021 include a non-recurring 548 million euros for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to ongoing relations with some counterparties for the offer of multimedia content.

In 2021, non-recurring operating costs were also incurred as a consequence of the COVID-19 emergency for a total of 20 million euros, mainly referring to provisions and expenses connected with credit management following the worsening of the expected credit loss of corporate customers of the Parent Company TIM S.p.A., connected with the expected evolution of the pandemic.

For more details, see the Note “Significant non-recurring Events and Transactions”.

Further details on Financial Instruments are provided in the Note “Supplementary disclosure on financial instruments”.

NOTE 30

INTERNALLY GENERATED ASSETS

These decreased by 27 million euros compared to 2020. The breakdown is as follows:

(million euros)	2021	2020
Intangible assets with a finite useful life	216	231
Tangible assets	259	271
Total	475	502

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 31

DEPRECIATION AND AMORTIZATION

These decreased by 126 million euros compared to 2020. The breakdown is as follows:

(million euros)	2021	2020
Amortization of intangible assets with a finite useful life		
Industrial patents and intellectual property rights	1,043	1,152
Concessions, licenses, trademarks and similar rights	466	473
Other intangible assets	2	2
(a)	1,511	1,627
Depreciation of tangible assets owned		
Buildings (civil and industrial)	35	35
Plant and equipment	2,095	2,115
Manufacturing and distribution equipment	9	11
Other	145	140
(b)	2,284	2,301
Amortization of rights of use assets		
Property	343	397
Plant and equipment	314	252
Other tangible assets	37	39
Intangible assets	1	—
(c)	695	688
Total	(a+b+c) 4,490	4,616

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 32

GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)	2021	2020
Gains on disposals of non-current assets:		
Gains on the retirement/disposal of intangible, tangible and user rights on rental	15	29
(a)	15	29
Losses on disposals of non-current assets:		
Losses on the retirement/disposal of intangible, tangible and user rights on rental	14	40
(b)	14	40
Total	(a-b) 1	(11)

NOTE 33

IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)	2021	2020
Reversals of impairment losses on non-current assets:		
on intangible assets	—	—
on tangible assets	—	—
(a)	—	—
Impairment losses on non-current assets:		
on intangible assets	4,120	—
on tangible assets	—	8
(b)	4,120	8
Total	(a-b) (4,120)	(8)

The impairment losses for the year 2021 amounted to 4,120 million euros and related to the goodwill impairment loss attributed to the Domestic Cash Generating Unit.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on at least an annual basis, when preparing the company's consolidated financial statements.

With reference to the Domestic Cash Generating Unit (CGU), the impairment test, conducted during the preparation of the 2021 Annual Financial Report, took as a reference the flows of the new 2022-2024 Industrial Plan - which, based on the results of the 2021 final accounting, reflects realistic aspects on future developments and outlines all the actions to create value for shareholders - on the basis of the projections up to 2026, assuming the use of domestic market assets in continuity with the conditions as at December 31, 2021 and using a discount rate updated to the financial market conditions as at December 31, 2021.

The configuration of the recoverable amount is the Fair Value estimated on the basis of the income approach, which has highlighted a value reduction of 4,120 million euros of goodwill attributed to the Domestic Cash Generating Unit.

Impairment testing of the Brazil Cash Generating Unit did not reveal any reduction in the value of goodwill allocated to it. The valuation was based on the Market Cap of TIM Brasil as at December 31, 2021 and highlighted a positive difference between the book value of the CGU and Fair Value.

Further details are provided in the Note "Goodwill".

NOTE 34

OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2021	2020
Dividends from Other investments	1	—
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	119	452
Other income	6	2
Total	126	454
<i>of which, included in the supplementary disclosure on financial instruments</i>	<i>3</i>	<i>2</i>

In 2021, the item mainly included the net capital gain (119 million euros) recognized following the dilution from 100% to 49% of the equity investment of the Brazilian subsidiary TIM S.A. in I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.), a company established by TIM S.A. for the segregation of its network assets and the provision of infrastructure services, following the completion of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda.

In 2020 the item mainly included the net capital gain recognized following the dilution from 60% to 37.5% of the TIM Group's stake in the capital of INWIT S.p.A. as a result of the merger of INWIT with Vodafone Towers (441 million euros) and the capital gains deriving from the sale of additional share packages equal, in total, to 7.3% of INWIT's share capital (11 million euros).

NOTE 35

FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,150 million euros (expense of 1,179 million euros in 2020) and comprises:

(million euros)	2021	2020
Finance income	1,124	1,143
Finance expenses	(2,274)	(2,322)
Net finance income/(expenses)	(1,150)	(1,179)

The items break down as follows:

(million euros)	2021	2020
Interest expenses and miscellaneous finance expenses:		
Interest expenses and other costs relating to bonds	(839)	(872)
Interest expenses to banks	(51)	(65)
Interest expenses to others	(24)	(20)
Interest expenses on financial lease liabilities	(271)	(283)
	(1,185)	(1,240)
Commissions	(61)	(74)
Miscellaneous finance expenses (*)	(126)	(124)
	(187)	(198)
Interest income and other finance income:		
Interest income	75	55
Income from financial receivables, recorded in Non-current assets	8	2
Income from securities other than investments, recorded in Non-current assets	—	—
Income from securities other than investments, recorded in Current assets	20	11
Miscellaneous finance income (*)	39	27
	142	95
Total net finance interest/(expenses)	(a) (1,230)	(1,343)
Other components of financial income and expense:		
Net exchange gains and losses	39	(51)
Net result from derivatives	117	109
	(4)	3
Net fair value adjustments to fair value hedge derivatives and underlyings		
Net fair value adjustments to non-hedging derivatives	(72)	103
Total other components of financial income and expense	(b) 80	164
Total net financial income (expenses)	(a+b) (1,150)	(1,179)
<i>of which, included in the supplementary disclosure on net financial instruments</i>	<i>(936)</i>	<i>(876)</i>

(*) of which IFRS 9 impact:

(million euros)	2021	2020
<i>Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	<i>4</i>	<i>1</i>
<i>Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI</i>	<i>(1)</i>	<i>(2)</i>
<i>Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI</i>	<i>3</i>	<i>(1)</i>
<i>Reversal of IFRS 9 impairment reserve on financial assets measured through FVTOCI</i>	<i>5</i>	<i>1</i>
<i>Impairment losses on financial assets other than investments</i>	<i>—</i>	<i>—</i>

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

(million euros)	2021	2020
Foreign currency conversion gains	411	393
Exchange losses	(372)	(444)
Net exchange gains and losses	39	(51)
Income from fair value hedge derivatives	33	47
Charges from fair value hedge derivatives	—	—
Net result from fair value hedge derivatives (a)	33	47
Positive effect of the reversal of the Reserve for fair value adjustment of cash flow hedge derivatives to the income statement (interest rate component)	366	376
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	(295)	(309)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component) (b)	71	67
Income from non-hedging derivatives	43	6
Charges from non-hedging derivatives	(30)	(11)
Net result from non-hedging derivatives (c)	13	(5)
Net result from derivatives (a+b+c)	117	109
Positive fair value adjustments to fair value hedge derivatives	—	46
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives	—	(44)
Net fair value adjustments (d)	—	2
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives	50	6
Negative fair value adjustments relating to fair value hedge derivatives	(54)	(5)
Net fair value adjustments (e)	(4)	1
Net fair value adjustments to fair value hedge derivatives and underlyings (d+e)	(4)	3
Positive fair value adjustments to non-hedging derivatives (f)	79	174
Negative fair value adjustments to non-hedging derivatives (g)	(151)	(71)
Net fair value adjustments to non-hedging derivatives (f+g)	(72)	103

NOTE 36

PROFIT (LOSS) FOR THE YEAR

The profit (loss) for the year can be analyzed as follows:

(million euros)	2021	2020
Profit (loss) for the year	(8,400)	7,352
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(8,652)	7,224
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Non-controlling interests:		
Profit (loss) from continuing operations	252	128
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interest	252	128

NOTE 37

EARNINGS PER SHARE

	2021	2020
Basic earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	(66)
(million euros)	(8,652)	7,158
Average number of ordinary and savings shares (millions)	21,205	21,080
Basic earnings per share – Ordinary shares (euros)	(0.40)	0.34
Plus: additional dividends per savings share	—	0.01
Basic earnings per share – Savings shares (euros)	(0.40)	0.35
Basic earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(8,652)	7,224
Less: additional dividends for the savings shares	—	(66)
(million euros)	(8,652)	7,158
Average number of ordinary and savings shares (millions)	21,205	21,080
Basic earnings per share from continuing operations – Ordinary shares (euros)	(0.40)	0.34
Plus: additional dividends per savings share	—	0.01
Basic earnings per share from continuing operations – Savings shares (euros)	(0.40)	0.35
Basic earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Average number of ordinary and savings shares (millions)	21,205	21,080
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2021	2020
Average number of ordinary shares	15,177,486,840	15,051,766,083
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,205,278,539	21,079,557,782

	2021	2020
Diluted earnings per share		
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Dilution effect of stock option plans and convertible bonds (*)	—	42
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	(66)
(million euros)	(8,652)	7,200
Average number of ordinary and savings shares (millions)	21,205	22,163
Diluted earnings per share – Ordinary shares (euros)	(0.40)	0.33
Plus: additional dividends per savings share	—	0.01
Diluted earnings per share – Savings shares (euros)	(0.40)	0.34
Diluted earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(8,652)	7,224
Dilution effect of stock option plans and convertible bonds (*)	—	42
Less: additional dividends for the savings shares	—	(66)
(million euros)	(8,652)	7,200
Average number of ordinary and savings shares (millions)	21,205	22,163
Diluted earnings per share from continuing operations – Ordinary shares (euros)	(0.40)	0.33
Plus: additional dividends per savings share	—	0.01
Diluted earnings per share from continuing operations – Savings shares (euros)	(0.40)	0.34
Diluted earnings per share from Discontinued operations/Non-current assets held for sale		
Profit (loss) from Discontinued operations/Non-current assets held for sale (million euros)	—	—
Dilution effect of stock option plans and convertible bonds	—	—
Average number of ordinary and savings shares (millions)	21,205	22,163
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	2021	2020
Average number of ordinary shares (*)	15,177,486,840	16,134,874,545
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,205,278,539	22,162,666,244

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond. Consequently, the "Net profit (loss) for the year attributable to owners of the Parent" and the "Profit (loss) from continuing operations attributable to owners of the Parent" were also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+42 million euros in 2020). For what concerns 2021, these effects were not included in the calculation of diluted earnings per share because, based on the provisions of IAS 33, they are antidilutive.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the issuance of the convertible bond by TIM S.p.A. in March 2015, in the plans for long-term share incentives, still outstanding at December 31, 2021:

	Number of maximum shares issuable	Share capital (thousand s of euros)	Additional paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	180,000,000			
Stock Options	180,000,000			
2015 Convertible Bond (ordinary shares)(*)	1,138,239,144	2,000,000	N.A.	N.A.
Bonds	1,138,239,144	2,000,000		
Total	1,318,239,144	2,000,000		

(*) The number of shares potentially issuable shown may be subject to adjustments.

Further information is provided in the Notes “Non-current and current financial liabilities” and “Equity compensation plans”.

NOTE 38

SEGMENT REPORTING

a) Segment reporting

The operating segments of the TIM Group, organized for the telecommunications business and the relative geographical location are as follows:

- **Domestic:** includes the activities in Italy relating to voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop S.p.A. for the provision of passive access services on the secondary copper and fiber network, the activities of Noovle S.p.A.(Cloud and Edge Computing solutions), the activities of Olivetti (Information Technology products and services) and support structures for the Domestic sector;
- **Brazil:** includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations:** include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In view of the decision-making process adopted by the TIM Group, segment reporting is presented for financial operating data.

The results of financial management, income taxes for the year, as well as gains (losses) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Third-party revenues	12,477	12,874	2,839	2,931	—	—	—	—	15,316	15,805
Intragroup revenues	28	31	1	2	—	—	(29)	(33)	—	—
Revenues by operating segment	12,505	12,905	2,840	2,933	—	—	(29)	(33)	15,316	15,805
Other income	259	200	13	11	—	—	—	—	272	211
Total operating revenues and other income	12,764	13,105	2,853	2,944	—	—	(29)	(33)	15,588	16,016
Acquisition of goods and services	(5,534)	(5,129)	(1,037)	(1,070)	(3)	(3)	24	29	(6,550)	(6,173)
Employee benefits expenses	(2,703)	(2,401)	(237)	(236)	(1)	(1)	—	(1)	(2,941)	(2,639)
of which: accruals to employee severance indemnities	(1)	(1)	—	—	—	—	—	—	(1)	(1)
Other operating expenses	(1,211)	(639)	(282)	(318)	(8)	(5)	(1)	1	(1,502)	(961)
of which: write-downs and expenses in connection with credit management and provision charges	(896)	(334)	(113)	(132)	—	—	—	—	(1,009)	(466)
Change in inventories	17	(13)	(7)	8	—	—	—	(1)	10	(6)
Internally generated assets	397	416	72	79	—	—	6	7	475	502
EBITDA	3,730	5,339	1,362	1,407	(12)	(9)	—	2	5,080	6,739
Depreciation and amortization	(3,595)	(3,677)	(895)	(939)	—	—	—	—	(4,490)	(4,616)
Gains/(losses) on disposals of non-current assets	(5)	(19)	6	8	—	—	—	—	1	(11)
Impairment reversals (losses) on non-current assets	(4,120)	(8)	—	—	—	—	—	—	(4,120)	(8)
EBIT	(3,990)	1,635	473	476	(12)	(9)	—	2	(3,529)	2,104
Share of profits (losses) of associates and joint ventures accounted for using the equity method	40	18	(2)	—	—	—	—	—	38	18
Other income (expenses) from investments									126	454
Finance income									1,124	1,143
Finance expenses									(2,274)	(2,322)
Profit (loss) before tax from continuing operations									(4,515)	1,397
Income tax expense									(3,885)	5,955
Profit (loss) from continuing operations									(8,400)	7,352
Profit (loss) from Discontinued operations/Non-current assets held for sale									—	—
Profit/(Loss) for the year									(8,400)	7,352
Attributable to:										
Owners of the Parent									(8,652)	7,224
Non-controlling interests									252	128

Revenues by operating segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues from equipment sales - third party	1,322	1,300	88	102	—	—	1	—	1,411	1,402
Revenues from equipment sales - intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	1,322	1,300	88	102	—	—	1	—	1,411	1,402
Revenues from services - third party	11,155	11,574	2,751	2,829	—	—	(1)	—	13,905	14,403
Revenues from services - intragroup	28	31	1	2	—	—	(29)	(33)	—	—
Total revenues from services	11,183	11,605	2,752	2,831	—	—	(30)	(33)	13,905	14,403
Total third-party revenues	12,477	12,874	2,839	2,931	—	—	—	—	15,316	15,805
Total intragroup revenues	28	31	1	2	—	—	(29)	(33)	—	—
Total revenues by operating segment	12,505	12,905	2,840	2,933	—	—	(29)	(33)	15,316	15,805

Purchases of intangible assets, tangible assets and rights of use assets by operating segment

(million euros)		Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Purchase of intangible assets		1,204	1,004	682	193	—	—	—	—	1,886	1,197
Purchase of tangible assets		2,095	1,682	570	456	—	—	—	—	2,665	2,138
Purchase of rights of use assets		304	843	442	519	—	—	—	—	746	1,362
Total purchase of intangible assets, tangible assets and rights of use assets		3,603	3,529	1,694	1,168	—	—	—	—	5,297	4,697
<i>of which: capital expenditures</i>		<i>3,377</i>	<i>2,748</i>	<i>1253</i>	<i>661</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>4,630</i>	<i>3,409</i>
<i>of which: increases in lease/leasing contracts for right of use assets</i>		<i>226</i>	<i>781</i>	<i>441</i>	<i>507</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>667</i>	<i>1,288</i>

Headcount by Operating Segment

(number of units)		Domestic		Brazil		Other Operations		Consolidated Total	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Headcount		42,591	42,925	9,325	9,409	13	13	51,929	52,347

Assets and liabilities by Operating Segment

(million euros)		Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current operating assets		40,805	44,736	5,332	5,098	1	1	1	(1)	46,139	49,834
Current operating assets		3,794	3,755	864	845	19	19	(37)	(35)	4,640	4,584
Total operating assets		44,599	48,491	6,196	5,943	20	20	(36)	(36)	50,779	54,418
Investments accounted for using the equity method		2,725	2,728	253	—	—	—	1	—	2,979	2,728
Discontinued operations /Non-current assets held for sale										—	—
Unallocated assets										15,429	16,088
Total Assets										69,187	73,234
Total operating liabilities		10,890	10,535	1,671	1,191	29	29	(81)	(82)	12,509	11,673
Liabilities directly associated with Discontinued operations/Non-current assets held for sale										—	—
Unallocated liabilities										34,639	32,721
Equity										22,039	28,840
Total Equity and Liabilities										69,187	73,234

b) Reporting by geographical area

(million euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2021	2020	2021	2020	12/31/2021	12/31/2020
Italy	(a)	12,189	12,638	11,557	12,018	40,542	44,477
Overseas	(b)	3,127	3,167	3,759	3,787	5,597	5,357
Total	(a+b)	15,316	15,805	15,316	15,805	46,139	49,834

c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 39

RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related-party transactions and the impact of those amounts on the separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group section/Governance Tools channel.

It should be noted that during the second half of 2021, Cassa Depositi e Prestiti and its subsidiaries were included in the scope of related companies, on the basis of assessments in this regard performed by the TIM S.p.A. Related Parties Committee.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2021 and 2020 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	15,316	31	31			62	0.4
Other income	272	1	11			12	4.4
Acquisition of goods and services	6,550	355	142			497	7.6
Employee benefits expenses	2,941			74	34	108	3.7
Other operating expenses	1,502	3				3	0.2
Depreciation and amortization	4,490	50				50	1.1
Finance income	1,124		1			1	0.1
Finance expenses	2,274	18				18	0.8

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2020

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	15,805	90	4			94	0.6
Other income	211	1				1	0.5
Acquisition of goods and services	6,173	250	113			363	5.9
Employee benefits expenses	2,639			73	16	89	3.4
Other operating expenses	961	2				2	0.2
Depreciation and amortization	4,616	39				39	0.8
Finance expenses	2,322	15				15	0.6

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related-party transactions on the TIM Group consolidated statements of financial position line items at December 31, 2021 and 31 December, 2020, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(45)		(1)		(1)	2.2
Other non-current financial assets	(2,285)					—
Non-current financial liabilities for lease contracts	4,064	269			269	6.6
Current financial liabilities for financing contracts and others	5,945	1			1	—
Current financial liabilities for lease contracts	651	74			74	11.4
Total net financial debt	22,416	344	(1)		343	1.5
Other statement of financial position line items						
Rights of use assets	4,847	299	2		301	6.2
Trade and miscellaneous receivables and other current assets	4,358	24	56		80	1.8
Miscellaneous payables and other non-current	1,413	2	25		27	1.9
Trade and miscellaneous payables and other current liabilities	9,473	182	60	23	265	2.8

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2020

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial liabilities for lease contracts	4,199	313			313	7.5
Current financial liabilities for lease contracts	631	50			50	7.9
Other statement of financial position line items						
Right of use assets	4,992	347			347	7.0
Trade and miscellaneous receivables and other current assets	4,346	57	4		61	1.4
Miscellaneous payables and other non-current liabilities	3,602	2	1		3	0.1
Trade and miscellaneous payables and other current liabilities	6,588	101	40	22	163	2.5

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2021 and 2020 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2021

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	5,297	8	15		23	0.4
Dividends paid	368		51		51	13.9

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2020

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	4,697	378			378	8.0
Dividends paid	390		36		36	9.2

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

Transactions with associates, subsidiaries of associates and joint ventures

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Revenues			
INWIT S.p.A.	42	89	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services, administrative outsourcing and electricity supply.
I-Systems S.A.	1		Services supplied by TIM S.A.
NordCom S.p.A.	1	1	Fixed and mobile voice services, equipment, data network connections and outsourcing.
TIMFin S.p.A.	(13)		Mobile and fixed voice services, outsourced services, fees and margins for miscellaneous costs for loans.
Total revenues	31	90	
Other income	1	1	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.	341	242	Supply of services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites
I-Systems S.A.	5		Supply of multimedia communication services and capacity services.
W.A.Y. S.r.l.	8	6	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	2	
Total acquisition of goods and services	355	250	
Other operating expenses	3	2	Penalties for breach of contract on maintenance management services to INWIT S.p.A.
Depreciation and amortization	50	39	Amortization of rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Finance expenses			
INWIT S.p.A.	15	15	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	3		Finance expenses for commission and miscellaneous finance expenses.
Total finance expenses	18	15	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Net financial debt			
Non-current financial liabilities for lease contracts	269	313	Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for lease contracts	74	50	Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for financing contracts and others	1		Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Right of use assets	299	347	Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Trade and miscellaneous receivables and other current assets			
INWIT S.p.A.	20	55	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
I-Systems S.A.	1		Services supplied by TIM S.A.
W.A.Y. S.r.l.	2	2	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Other minor companies	1	—	
Total trade and miscellaneous receivables and other current assets	24	57	
Miscellaneous payables and other non-current liabilities	2	2	Deferred contractual revenues from INWIT S.p.A.
Trade and miscellaneous payables and other current liabilities			
INWIT S.p.A.	171	98	Supply of services for BTS sites, monitoring and security services, management and maintenance services.
I-Systems S.A.	5		Supply of multimedia communication services and capacity services.
Movenda S.p.A.	1	1	Supply and certification of SIM-cards, software systems.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
TIMFin S.p.A.	3		Cost of the risk for loans.
Total trade and miscellaneous payables and other current liabilities	182	101	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis			
			Higher value of rights of use as a result of new contracts or changes in existing lease contracts, IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relative to TIM offerings to end customers.
INWIT S.p.A.	7	376	
Movenda S.p.A.	1	1	Supply and development systems software.
Other minor companies		1	
Total purchase of intangible, tangible and rights of use assets on an accrual basis	8	378	

At December 31, 2021, TIM S.p.A. had issued guarantees in favor of the joint venture Alfiere S.p.A. for 14 million euros.

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- CDP Group (Cassa Depositi e Prestiti and Group subsidiaries);
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Revenues			
Other Directors or through		3	Fixed-line and mobile voice services and devices.
Cassa Depositi e Prestiti Group	30		IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services and electricity supply.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	31	4	
Other income	11		Reimbursement by a CDP Group company due to Telenergia following the judgment of the Council of State no. 5625-2021s, published on 07.30.2021.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	31		Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service relating to information flows and devices through interbanking corporate banking (CBI) and purchase of electricity.
Havas Group	107	109	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	4	4	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total acquisition of goods and services	142	113	
Finance income	1		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Net financial debt			
Financial receivables and other current financial assets	1		Non-current financial receivables arising from lease contracts for Cassa Depositi e Prestiti.
Other statement of financial position line items			
Right of use assets	2		Financial leasing to Cassa Depositi e Prestiti.
Trade and miscellaneous receivables and other current assets			
Other Directors or through		3	Fixed-line and mobile voice services and devices.
Cassa Depositi e Prestiti Group	43		Relating mainly to IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services
Havas Group	13		Prepaid expenses related to costs for advertising services.
Vivendi group		1	TV series rights.
Total trade and miscellaneous receivables and other current assets	56	4	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	23		Deferred subscription charges revenues.
Vivendi group	2	1	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	25	1	
Trade and miscellaneous payables and other current liabilities			
Other Directors or through		1	
Cassa Depositi e Prestiti Group	21		Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service relative to information flows and devices through interbanking corporate banking (CBI) and purchase of electricity.
Havas Group	37	37	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	2	2	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total trade and miscellaneous payables and other current liabilities	60	40	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	16		Development of the discovery phase and MYCanal+ platform supply for the TimVision Service towards the Vivendi Group.
Dividends paid			
Cassa Depositi e Prestiti Group	15		Dividends paid
Vivendi group	36	36	Dividends paid
Total Dividends paid	51	36	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	9	9	
Telemaco	61	60	
Other pension funds	4	4	
Total employee benefits expenses	74	73	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	20	19	
Other pension funds	—		
Total trade and miscellaneous payables and other current liabilities	23	22	

Remuneration to key managers

In 2021, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 34 million euros (16 million euros for 2020). The figure breaks down as follows:

(million euros)	2021	2020
Short-term remuneration	9 ⁽¹⁾	11 ⁽³⁾
Long-term remuneration		
Employment termination benefit incentives	18	2
Share-based payments (*)	7 ⁽²⁾	3 ⁽⁴⁾
Total	34	16

(*) These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive and Plans of the subsidiaries).

⁽¹⁾ of which 1.2 million euros recorded by the subsidiaries;

⁽²⁾ of which 1.0 million euros recorded by the subsidiaries;

⁽³⁾ of which 1.0 million euros recorded by the subsidiaries;

⁽⁴⁾ of which 0.4 million euros recorded by the subsidiaries.

Short-term remuneration is paid during the period it pertains to, at the latest within the six months following the end of that period and, in 2021, do not include the effects of the reversal of the accruals related to the 2020 costs amounting to 0.9 million euros.

The indemnities for early termination of employment for the year 2021 also include the amount paid to Mr. Luigi Gubitosi, amounting to 6.9 million euros.

In 2021, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers, amounted to 140,000 euros (135,000 euros at December 31, 2020).

In 2021, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:

Luigi Gubitosi	⁽¹⁾ Managing Director and Chief Executive Officer of TIM S.p.A. General Manager
Pietro Labriola	⁽²⁾ General Manager of TIM S.p.A. Diretor Presidente TIM S.A.

Executives:

Giovanna Bellezza	⁽³⁾ a.i. Head of Human Resources, Organization & Real Estate
Paolo Chiriotti	⁽⁴⁾ Head of Procurement
Simone De Rose	⁽⁵⁾ a.i. Head of Procurement
Michele Gamberini	⁽⁶⁾ Chief Technology & Information Office ⁽⁷⁾ Chief Innovation & Information Office
Nicola Grassi	⁽⁸⁾ Head of Procurement ⁽⁴⁾ Chief Technology & Operations Office
Stefano Grassi	Head of Security
Massimo Mancini	⁽⁵⁾ Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia	⁽⁹⁾ Chief Regulatory Affairs & Wholesale Market Office ⁽⁵⁾ Chief Regulatory Affairs Office
Carlo Nardello	⁽⁹⁾ Chief Strategy, Business Development & Transformation Office
Agostino Nuzzolo	Head of Legal & Tax
Claudio Giovanni Ezio Ongaro	⁽⁵⁾ a.i. Chief Strategy & Business Development Office
Federico Rigoni	⁽⁸⁾ Chief Revenue Officer
Giovanni Ronca	Chief Financial Office
Luciano Sale	⁽¹⁰⁾ Head of Human Resources, Organization & Real Estate
Stefano Siragusa	⁽⁶⁾ Chief Operations Office
	⁽¹¹⁾ Chief Technology & Operations Office
	⁽¹²⁾ Chief Revenue Officer
	⁽¹³⁾ Chief Revenue, Information & Media Office
	⁽⁵⁾ Chief Network, Operations & Wholesale Office

⁽¹⁾ To November 26, 2021

⁽²⁾ From November 27, 2021

⁽³⁾ From November 30, 2021

⁽⁴⁾ From July 5, 2021 to December 6, 2021

⁽⁵⁾ From December 7, 2021

⁽⁶⁾ To April 8, 2021

⁽⁷⁾ From April 9, 2021 to September 20, 2021

⁽⁸⁾ To July 4, 2021

⁽⁹⁾ To December 6, 2021

⁽¹⁰⁾ To November 29, 2021

⁽¹¹⁾ From April 9, 2021 to July 4, 2021

⁽¹²⁾ From July 05, 2021 to September 20, 2021

⁽¹³⁾ From September 21, 2021 to December 6, 2021

On January 21, 2022 the Board of Directors co-opted Pietro Labriola, who retains the office of General Manager, and appointed him as Chief Executive Officer, conferring on him all powers.

NOTE 40

EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2021, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2021.

A summary is provided below of the plans in place at December 31, 2021.

Description of stock option plans

TIM S.A. Stock Option Plans

On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the TIM S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

Year 2014

On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. At December 31, 2021, there are no options that can be exercised. Out of the total attributed, 1,558,043 options have been canceled (due to withdrawal of the participants from the company or for expiry of the exercise period), and 129,643 options have been exercised.

Year 2015

On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As of December 31, 2021, 100% of the options were considered as vested, and there are no options that can be exercised. Of the total options granted, 1,646,080 were canceled by participants leaving the company. All of the remaining balance (amounting to 1,709,149 options) has been exercised.

Year 2016

On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares.

At December 31, 2021, 100% of the options were considered as vested. Of the total options granted, 1,727,424 were canceled by participants leaving the company. Of the remaining balance (2,194,780 options), 2,082,228 options had been exercised and 112,552 could still be exercised.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2018-2020

Following approval of the 2020 financial statements, the parameter of stock performance has not reached the minimum level for accessing the premium, while the cumulative equity free cash flow parameter (30%) has reached an achievement level of 88.47% (between the minimum and target), thereby quantifying the number of shares accrued by beneficiaries as 6,715,617 shares, subject to a two-year lock-up from the accrual date.

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the new rolling and equity based long-term incentive plan called LTI 2020-2022.

Each cycle of the plan is divided into two parties:

- **Performance Share:** free allocation of Company ordinary shares, the maturity of which is subject to an access gate linked to the value of the share and to two share and industrial performance conditions, given below.
- **Attraction/Retention Share:** free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%.

A payout bonus/malus mechanism equal to 4% will be applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the % growth of use of renewable energy out of total energy and to the reduction of indirect emissions of CO₂ (2020-2022 cycle);
- to the % growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

For the CEO, 100% of the Pay Opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

2020-2022 Cycle

On May 18, 2020, the Board of Directors launched the first cycle of the new Plan, for the three-year period 2020-2022, simultaneously assigning it to the CEO. At December 31, 2021, the first incentive cycle intended for 140 resources establishes the right of beneficiaries to receive 57,388,194 shares upon reaching the target, without prejudice to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

2021-2023 Cycle

On April 28, 2021, the Board of Directors resolved the start of the second 2021-2023 cycle of incentives of the 2020-2022 Long Term Incentive Plan, at the same time assigning it to the CEO. The second cycle, like the first, is aimed at the Chief Executive Officer, Top Management and a selected segment of TIM Group's management.

At December 31, 2021, the cycle provides for the 153 recipients to be entitled to receive an award of 55,878,929 shares upon achievement of the target, subject to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

TIM S.p.A. – Broad-Based Share Ownership Plan 2020

In implementation of the resolutions passed on April 23, 2020 by the Extraordinary Shareholders' Meeting and subsequently on May 18, 2020 by the Board of Directors of Telecom Italia S.p.A., on June 16, 2020 the campaign to subscribe to the 2020 Diffuse Share Ownership Plan was opened, closing on October 30, 2020; the shares were subscribed at a unit price of 0.31 euros.

To service the initiative, a maximum of 127,500,000 new shares were to be issued, to be offered for paid subscription and, subsequently, a maximum 42,500,000 new shares, without capital increase, for the free allocation of 1 Bonus Share for every 3 subscribed shares.

As a result of the issuance on November 27, 2020 of 126,343,913 Telecom Italia ordinary shares to the subscribers of the discount shares, 38,604,270 ordinary shares of the Company (*Bonus Share*) were granted free of charge on December 3, 2021, without a capital increase. As planned, the Bonus Shares were awarded to those who retained their subscribed shares for the period of one year from the assignment date, subject to continued employee status.

TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share). The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a total vesting period of 3 years.

At December 31, 2021, 100% of the rights assigned were considered as vested:

- **First vesting period:** in compliance with the results approved on May 29, 2019, 115,949 shares were transferred to beneficiaries, of which 91,708 relating to the original volume accrued, 20,594 granted according to the degree to which objectives had been achieved and 3,647 shares as a result of the dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,685 shares (2,915 relative to the original volume accrued, 654 acknowledged according to the degree to which the objectives had been achieved and 116 due to dividends distributed during the period).
- **Second vesting period:** in compliance with the results approved on June 17, 2020, 87,766 shares were transferred to beneficiaries, of which 83,181 relating to the original volume accrued, 70 discounted

according to the degree to which objectives had been achieved and 4,655 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,084 shares (2,915 relative to the original volume accrued, 5 acknowledged according to the degree to which the objectives had been achieved and 164 due to dividends distributed during the period).

- **Third vesting period:** in compliance with the results approved on May 5, 2021, 252,143 shares were transferred to beneficiaries, of which 187,039 relating to the original volume accrued, 42,854 discounted according to the degree to which objectives had been achieved and 22,250 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 12,500 shares (9,101 relative to the original volume accrued, 2,305 acknowledged according to the degree to which the objectives had been achieved and 1,094 due to dividends distributed during the period).

At December 31, 2021, of the total assigned of 849,932 shares, 473,073 had been canceled due to the beneficiaries having left the participating company, 455,858 shares had been transferred to beneficiaries (361,928 relative to the original volume accrued, 63,378 from performance achieved and 30,552 for payment of dividends in shares) and 19,269 shares had been valued and paid in cash (14,931 relative to the original volume accrued, 2,964 from performance achieved and 1,374 for payment of dividends in shares), thereby completing the 2018 concession.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on December 31:

- **First vesting period:** in compliance with the results approved on July 29, 2020, 309,557 shares were transferred to beneficiaries, of which 209,349 relating to the original volume accrued, 83,672 granted according to the degree to which objectives had been achieved and 16,536 shares as a result of the dividends distributed during the period.
- **Second vesting period:** in compliance with the results approved on July 26, 2021, 309,222 shares were transferred to beneficiaries, of which 207,859 relating to the original volume accrued, 78,111 discounted according to the degree to which objectives had been achieved and 23,252 shares for dividends distributed during the period.

At December 31, 2021, of the total assigned of 930,662 shares, 86,424 had been canceled due to the beneficiaries having left the company and 618,779 shares had been transferred to beneficiaries (417,208 related to the original volume vested, 161,783 from performance achieved and 39,788 for payment of dividends in shares), thereby leaving a balance of 427,030 shares that could be accrued at period end.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

At December 31, 2021, of the total assigned of 796,054 shares, 70,378 shares were canceled due to beneficiaries having left the company and 267,145 shares were transferred to beneficiaries against the result of the first vesting period of performance shares, in accordance with the results approved on May 5, 2021 (206,578 relating to the original volume vested, 51,634 recognized based on the level of achievement of objectives and 8,933 as a result of dividends distributed during the period), thereby leaving a balance of 519,098 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 05, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a total vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the Oi purchase operation in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

As at December 31, 2021, the first vesting period has not yet finished. However, 311,876 shares were canceled due to the participants leaving the company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
LTI Plan 2018-2020 - equity component	-	0.63	n.a.	3 years	-	-0.552% at 3 years
LTI Plan 2018-2020 - equity component (two-year CEO granting)	-	0.51	n.a.	2 years	-	-0.594% at 2 years
LTI 2018 – 2020 Plan – equity component (two-year allocations)	-	0.48	n.a.	2 years	-	-0.569% at 2 years
LTI 2018 – 2020 Plan – equity component (two-year allocations)	-	0.48	n.a.	2 years	-	-0.570% at 2 years
2020-2022 LTI Plan – First Cycle (2020-22)	-	0.35	n.a.	3 years	0.01	-0.714% at 3 years
2020-2022 LTI Plan – Second Cycle (2021-23)	-	0.42	n.a.	3 years	0.01	-0.720% at 3 years
Broad-Based Share Ownership Plan 2020	-	0.333861	n.a.	1 year	0.01	-0.699% at 1 year
2020 Broad-Based Share Ownership Plan - the Bonus Shares	-	0.38	n.a.	-	-	-

- (1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.
- (2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").
- (3) Dividends have been estimated on the basis of Bloomberg data.
- (4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Share base price (reais)	Nominal value (reais)	Volatility	Duration	Expected dividends (reais)	Risk-free interest rate
Stock option plan 2014	13.42	n.a.	44.60%	6 years	-	10.66% per annum
Stock option plan 2015	8.45	n.a.	35.50%	6 years	-	16.10% per annum
Stock option plan 2016	8.10	n.a.	36.70%	6 years	-	11.73% per annum
2018 PS/RS Plan	n.a.	14.41	n.a.	3 years	n.a.	n.a.
2019 PS/RS Plan	n.a.	11.28	n.a.	3 years	n.a.	n.a.
2020 PS/RS Plan	n.a.	14.40	n.a.	3 years	n.a.	n.a.
2021 PS/RS Plan	n.a.	12.95	n.a.	3 years	n.a.	n.a.

The parameters are characteristic of a stock option plan, considering the use of fair value appropriate only for Stock Option Plans.

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2021.

NOTE 41

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2021 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)	Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)	
Carrying amount	(a)	22,039	(8,400)	22,416	2,383
Revenue adjustments		(4)	(4)	—	—
Other income		11	11	(1)	1
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs		(36)	(36)		
				57	(57)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(263)	(263)		
				474	(474)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers for other provisions and charges		(556)	(556)		
				250	(250)
Other income (expenses) from investments		18	18	(1,931)	1,931
Other finance income		1	1	—	—
Miscellaneous finance expenses		(1)	(1)	—	—
Goodwill impairment loss attributed to Domestic CGU		(4,120)	(4,120)	—	—
Tax realignment pursuant to Decree Law 104/2020 Art. 110		(3,785)	(3,785)	231	(231)
Tax receivables Brazil Business Unit		82	82	—	—
Total non-recurring effects	(b)	(8,653)	(8,653)	(920)	920
Income/(Expenses) relating to Discontinued operations	(c)	—	—	—	—
Figurative amount – financial statements	(a–b–c)	30,692	253	23,336	1,463

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

“Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers and other provisions and charges” include 548 million euros for the posting of Contractual risk provisions for Onerous Contracts (IAS 37) relating to ongoing relations with some counterparties for the offer of multimedia content.

In particular, they include the accrual of the Net Present Value of the negative margin connected with some partnerships, including the one in place between TIM and DAZN for the offer in Italy on the TIMVISION platform of DAZN content, including all matches of the Serie A football championship for the seasons 2021-22, 2022-23 and 2023-24.

In greater detail, as part of the definition of the 2022-2024 Strategic Plan, the business plan hypotheses have been updated for the current football season and the next two, pointing out that the total margins of the project, including TIM's contractual commitments towards DAZN in terms of fees, for lack of remedy by DAZN of certain breaches already disputed, is very much negative.

Use of said Provision throughout the contractual term will make it possible to offset the negative item of the margin (EBITDA), thereby obtaining null EBIT (organic or operative margin) for the DAZN offer contents sale business.

In financial terms, TIM is contractually obliged to pay DAZN six installments in advance (July, September, November, January, March and May) for each year (July 1-June 30, corresponding to each championship season), without prejudice to the fact that should the report of TIM customers with DAZN service in the two months prior to each installment record a higher amount being due to the latter (at present, this is purely theoretical), TIM would be required to also pay this difference.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2021	2020
Revenues:		
Revenue adjustments	(5)	(39)
Other income:		
Other operating provisions absorption	—	1
Recovery of operating expenses	13	—
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(49)	(64)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(367)	(74)
Other operating expenses:		
Sundry expenses and other provisions	(735)	(148)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(1,143)	(324)
Goodwill impairment loss Domestic CGU	(4,120)	—
Impact on EBIT - Operating profit (loss)	(5,263)	(324)
Other income (expenses) from investments:		
Net capital gain on corporate transactions	119	452
Finance income:		
Other finance income	1	—
Finance expenses:		
Miscellaneous finance expenses	(1)	(7)
Impact on profit (loss) before tax from continuing operations	(5,144)	121
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(3,785)	5,877
Income taxes on non-recurring items	276	50
Impact on Profit (loss) for the year	(8,653)	6,048

In 2021, the COVID-19 emergency meant that the TIM Group incurred non-recurring charges, gross of tax effects, for approximately 25 million euros, of which 20 million euros allocated in connection with credit management deriving from the expected worsening of the expected credit loss of corporate customers, due to the expected evolution of the pandemic.

Staff costs (1 million euros) and costs relating to supplies and miscellaneous costs (4 million euros), which were necessary to manage the health emergency, have also been recorded.

Furthermore, the figures stated mainly 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.

At December 31, 2021, non-recurring income was also recorded for approximately 82 million euros in connection with tax benefits of the Brazil Business Unit.

For more details on the tax benefits of the Brazil Business Unit and the tax realignment pursuant to Decree Law 104/2020, refer to the Note on "Income tax expense (current and deferred)".

NOTE 42

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2021 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 43

OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations^(*)

		Year-end exchange rates (statements of financial position)		Average exchange rates for the year (income statements and statements of cash flows)	
(local currency against 1 euro)		12/31/2021	12/31/2020	2021	2020
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	24.85800	26.24200	25.64620	26.45640
CHF	Swiss franc	1.03310	1.08020	1.08136	1.07047
TRY	Turkish lira	15.23350	9.11310	10.49995	8.04599
GBP	Pound sterling	0.84028	0.89903	0.85970	0.88940
RON	Romanian leu	4.94900	4.86830	4.92118	4.83817
RUB	Russian ruble	85.30040	91.46700	87.18796	82.66883
North America					
USD	U.S. dollar	1.13260	1.22710	1.18285	1.14179
Latin America					
VES (**)	Venezuelan bolivar – Soberano	5.19230	1,356,945.08000	2,489,106.60692	375,274.05000
BOB	Bolivian Boliviano	7.83860	8.47930	8.16146	7.88964
PEN	Peruvian nuevo sol	4.55660	4.44260	4.58967	3.99284
ARS	Argentine peso	116.53860	103.24940	112.44200	80.83685
CLP	Chilean peso	969.83000	872.52000	898.33180	902.97084
COP	Colombian peso	4,628.12000	4,202.34000	4,430.02835	4,215.45981
BRL	Brazilian real	6.32047	6.37680	6.35936	5.88806
Other countries					
ILS	Israeli shekel	3.51590	3.94470	3.82197	3.92462
NGN	Nigerian Naira	483.26890	465.68500	482.17941	407.22874

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.

(**) On October 1, 2021, a new monetary scale took effect, entailing the elimination of six zeros in relation to the previous one (1,000,000Bs = 1Bs).

b) Research and development

Costs for research and development activities are represented by external costs, labor costs of dedicated staff and depreciation and amortization. Details are as follows:

(million euros)	2021	2020
Research and development costs expensed during the year	56	79
Capitalized development costs	1,016	1,043
Total research and development costs (expensed and capitalized)	1,072	1,122

The decrease recorded in the 2021 financial year is due to the stabilization of implementation activities connected with the new generation networks, partly offset by software developments on corporate information systems.

In the 2021 Separate Consolidated Income Statement, a total of 907 million euros of depreciation/amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations ("Research and Development" section).

c) Leasing income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2021 and at December 31, 2020, the lease installments at nominal value still to be collected totaled:

(million euros)	12/31/2021	12/31/2020
.Within next year	100	154
From 1 to 2 years after the end of the reporting period	36	74
From 2 to 3 years after the end of the reporting period	34	62
From 3 to 4 years after the end of the reporting period	34	56
From 4 to 5 years after the end of the reporting period	30	54
Beyond 5 years after the end of the reporting period	29	54
Total	263	454

d) Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2021 and 2020:

Distributing entity	Area of intervention	Received in 2021 (million euros)	Received in 2020 (million euros)
Fondimpresa/Fondirigenti	training		1
Infratel	construction of broadband and ultrabroadband infrastructure	3	24
MUR (formerly MIUR)	research projects		3
ANPAL	New Skills Fund	54	
Sundry income (*)		1	1
Total		58	29

(*) 2021 - MISE, Fondimpresa/Fondirigenti, MUR (formerly MIUR)
2020 - MED; Region of Lombardy, Region of Apulia

e) Directors' and statutory auditors' remuneration

Total remuneration due for 2021 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 7.217 million euros for directors and 0.537 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, paragraphs 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2021 financial statements, and the fees referring to 2021 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2021 are also shown.

(euros)	EY S.p.A.			Other entities of the EY network			Total EY network
	TIM S.p.A..	Subsidiaries	TIM Group	TIM S.p.A..	Subsidiaries	TIM Group	
Audit services	2,757,343	2,085,615	4,842,958	—	1,470,204	1,470,204	6,313,162
Audit services with the issue of certification	80,000	—	80,000	—	65,292	65,292	145,292
Attestation of compliance of the Consolidated Non-Financial Statement	72,907	—	72,907	—	19,184	19,184	92,091
Other services	—	—	—	—	—	—	—
Total 2021 fees due for auditing and other services to the EY network	2,910,250	2,085,615	4,995,865	—	1,554,680	1,554,680	6,550,545
Out-of-pocket expenses	10,016	37,629	47,645	—	52,754	52,754	100,399
Total	2,920,266	2,123,244	5,043,510	—	1,607,434	1,607,434	6,650,944

NOTE 44

EVENTS SUBSEQUENT TO DECEMBER 31, 2021

CADE approves acquisition of Oi's mobile business by Tim Brasil

The offer submitted by TIM S.A., Brazilian subsidiary of the TIM Group, for the acquisition of the mobile assets of the Oi Group, together with Telefônica Brasil S.A. (VIVO) and Claro S.A., has been approved by the antitrust Authority CADE (Conselho Administrativo de Defesa Económica).

The decision follows the pronouncement of the reglementary Authority Anatel (Agência Nacional de Telecomunicações), which on February 1, 2022, had expressed itself in favor of the transfer of control of Oi's mobile assets.

The closing of the deal, which will define a new infrastructure structure for the Telco market in Brazil, still depends on the fulfillment of specific conditions foreseen in the Sale and Purchase Agreement. The operation, with which TIM Brasil will acquire the most relevant share of the assets of the Oi Group, is expected to bring significant benefits to the Brazilian TLC sector, maintaining a high degree of competition and ensuring the necessary investments for the development of the country's digital advancement.

TIM reaffirms that the transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole Group and its shareholders as it will accelerate its growth and increase operating efficiency through relevant synergies. Furthermore, positive effects are also expected for customers, as the transaction is likely to improve the users' experience and the quality of services offered. Finally, the transaction is expected to benefit the entire telecommunications sector in Brazil, which will be strengthened in its investment capacity, technological innovation, as well as its competitiveness.

TIM: Solidarity for Ukraine, unlimited data and minutes included for customers of Ukrainian nationality

To express its solidarity with the Ukrainian population struck by the current conflict, TIM has made a series of benefits available to its Ukrainian nationality customers in Italy, to help them communicate with friends and family.

Starting March 1, 2022, they will have unlimited data and minutes for a week. To adhere to the initiative, simply answer the specific informative SMS, visit a TIM store or call 119 or visit the My TIM area.

NOTE 45

LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
DAPHNE 3 S.p.A. (assumption, holding, management and disposal of equity investments in INWIT)	MILAN	EUR	100,000	51.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
NOOVLE AI S.r.l. (ICT services)	ROVERETO	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE SLOVAKIA S.R.O. (in liquidation) (ICT services)	BRATISLAVA (SLOVAKIA)	EUR	5,000	85.0000 15.0000		NOOVLE S.p.A. SOCIETA' BENEFIT TELECOM ITALIA FINANCE S.A.
OLIVETTI PAYMENT SOLUTIONS S.p.A. (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	350,000	100.0000		OLIVETTI S.p.A.
OLIVETTI S.p.A. (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center services)	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGOMAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGOMAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES OF AMERICA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTICIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTICIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTÁ (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES OF AMERICA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES OF AMERICA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNİKASYON ANONİM ŞİRKETİ (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A.
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (ex 4G RETAIL S.r.l.) (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SERVIZI DIGITALI S.p.A. (development and ordinary and extraordinary maintenance of plants for the supply of telecommunications services to end customers)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	7,169,029,859	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0165	66.5992	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A.
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	100.0000		TIM S.p.A.
TI AUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
CONSORZIO MEDSTAR (other services to support businesses)	ROME	EUR	10,000	50.0000		STAER SISTEMI S.r.l.
INFRASTRUTTURE WIRELESS ITALIANE S.p.A. (installation and operation of installations and infrastructure for the management and the sale of telecommunications services)	MILAN	EUR	600,000,000	30.2000		DAPHNE 3 S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000		TIM S.A.
MOVENDA S.p.A. (design, construction and diffusion of Internet sites, products and computer media)	ROME	EUR	133,333	24.9998		TELECOM ITALIA FINANCE S.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME	EUR	181	(*)		TELECOM ITALIA VENTURES S.r.l.
QTI S.r.l. (development, production and sale of innovative products and services with high technological value)	FLORENCE	EUR	14,925	33.0000		TELSY S.p.A.
SATISPAY S.p.A. (production of software not connected with publishing)	MILAN	EUR	826,385	(*)		TELECOM ITALIA VENTURES S.r.l.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering research activities)	ROME	EUR	15,000	36.0000		STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (formerly TIM-SCB JV S.p.A.) (carrying out in regard to the public of the concession of loans in any form and, notably, of any type of finance disbursed in the form of a personal and consumer loan)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN	EUR	136,383	39.9999		OLIVETTI S.p.A.
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	(*)		TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (formerly OILPROJECT S.r.l.) (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN	EUR	25,000	(*)		TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
OTHER MAJOR INVESTMENTS						
IBAS ITALIAN BROADCASTING ADVANCE SOLUTIONS (consultancy services for the management of common promotional activities and connected public relations of the consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000		STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786		TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2900		TIM S.p.A.
IGOON S.r.l. (in liquidation) (carpooling scheme to share unused seating capacity in cars in real time through a mobile App)	NAPLES	EUR	16,498	14.2805		TELECOM ITALIA VENTURES S.r.l.
INNAAS S.r.l. (design, development and sale of high-tech software and hardware)	ROME	EUR	108,700	15.2539		TELECOM ITALIA VENTURES S.r.l.
MIX S.r.l. (internet service provider)	MILAN	EUR	1,000,000	11.0937		TIM S.p.A.
WIMAN S.r.l. (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA)	EUR	22,333	14.4935		TELECOM ITALIA VENTURES S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Giovanni Ronca, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of February 24, 1998, that:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2021 fiscal year.
2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.
3. The undersigned also certify that:
 - 3.1. the Consolidated Financial Statements at December 31, 2021:
 - a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;
 - b) agree with the results of the accounting records and entries;
 - c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;
 - 3.2. The report on operations contains a reliable operating and financial review of the Company and of the Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 2, 2022

Chief Executive Officer

/ signed /

Pietro Labriola

**Manager Responsible for
Preparing the Corporate
Financial Reports**

/ signed /

Giovanni Ronca

INDEPENDENT AUDITORS' REPORT

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill – Domestic As of December 31, 2021 goodwill amounts to Euro 18,568 million and refers for Euro 18,124 million to the Domestic cash generating unit ("CGU") and for Euro 444 million to the Brazil CGU. Based on the impairment test performed as of December 31, 2021, an impairment loss of Euro 4,120 has been recorded for the Domestic CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 4 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill", "Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ▶ the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ▶ the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to each CGU; ▶ the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ▶ the assessment of the consistency of the future cash flows forecasts of each CGU with the Group business plan; ▶ the assessment of forecasts in light of their historical accuracy; ▶ the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

Revenue recognition

TIM Group's revenues amounted to Euro 15,316 million as of December 31, 2021 and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators).

Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and iii) the complexity in estimating commitments connected to certain contracts.

The Group provides the relative disclosures in Note 25 "Revenues" of the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the processes underlying the revenue recognition;
- ▶ the understanding and verification of the design and operation of the relevant controls over the revenue recognition process;
- ▶ the analysis of the application systems supporting the revenue recognition process;
- ▶ the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard;
- ▶ the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted;
- ▶ the analysis of the valuation of certain contracts identified as onerous contracts;
- ▶ the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations;
- ▶ the analysis of the manual journal entries.

We also required external confirmations for a sample of customers and transactions.

Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.

Regulatory disputes

As of December 31, 2021, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by significant counterparty requests.

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place by Management for assessing disputes,
-

The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the I820 proceeding, started by AGCM against TIM and other telco operators, to ascertain a possible conduct restricting market competition and (iii) the A514, and the related “follow-on” proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator.

The assessment of the disputes was carried out by Management, as of 31 December 2021, based on the opinion of the external lawyers, as well as considering the latest information available.

The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter.

Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 24 “Disputes and pending legal actions, other information, commitments and guarantees”.

accompanied by test of the effectiveness of the internal controls relevant for this process;

- ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
- ▶ the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;
- ▶ the analysis of the responses received from external lawyers following our external confirmations procedures.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Fiscal disputes in Brazil

As of December 31, 2021, the TIM Group is involved in several disputes with the Brazilian tax authorities.

The maximum potential liability associated with these disputes, as at December 31, 2021, amounts to Euro 2,583. With reference to this potential liability, the Group recognized a provision of Euro 68 million with regards to the risks deemed probable.

The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the Management and, also considering the significance of the amounts involved, we considered it to be a key audit matter.

Disclosures related to the assessment of the

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process;
 - ▶ inquiries with Management regarding the main assumptions made in connection with disputes;
 - ▶ the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;
 - ▶ the analysis of the responses to our external confirmations procedures received from external lawyers, also with the involvement
-

risks relating to the fiscal disputes in which the Group is involved is reported in note 24 "Disputes and pending legal actions, other information, commitments and guarantees".

of our experts in tax disputes.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Recoverability of deferred tax assets

As of December 31, 2021, deferred tax assets amount, net of impairment, to Euro 3,513 million in the consolidated financial statements.

The recoverability analysis of the deferred tax assets performed as of December 31, 2021, led to an impairment loss of Euro 3,825.

Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements.

The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which they will be reversed.

The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan.

Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter.

Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the paragraphs "Income tax expense (current and

Our audit procedures in response to the key audit matter included, among others:

- ▶ the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan, taking into account the regulatory changes that took place during 2021 ;
- ▶ the assessment of the reasonableness of the accuracy of the forecasts compared with the prior periods;
- ▶ the assessment of the Management calculations.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

deferred)" and "Use of estimates" and in note 11 "Income tax expense (current and deferred)".

Sale of 51% equity interest in I-System

On November 16, 2021, the Group sold the 51% of its equity interest held in I-System, generating a gain of Euro 119 million, which was measured as the difference between the fair value of the consideration received and the carrying value of the net assets of I-System. The determination of the carrying value of the net assets of I-System involved identifying and measuring the assets, the liabilities and the goodwill allocated to I-System as of the closing date of the transaction.

Considering the level of judgment required in defining the portion of the Brazil CGU Goodwill to be allocated to I-System and in determining the accounting analysis and the implications of the loss of control, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 8 "Investments".

Our audit procedures in response to the key audit matter included, among others:

- ▶ an understanding of the process put in place by Management for selling I-System, accompanied by tests of the effectiveness of the controls relevant for this process;
- ▶ the analysis of the transaction agreement;
- ▶ the analysis of the accuracy of the gain resulting from the transaction;
- ▶ the analysis of key inputs, data and assumptions used by Management to determine the allocation of goodwill to I-System;
- ▶ the assessment of the Management's application of the criteria for the loss of control by evaluating contrary evidence;
- ▶ the analysis of the Management's assessment of the master service agreement under an IFRS 16 perspective.

In performing our analysis, we involved our tax experts to evaluate the tax impacts of the transaction.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial

statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as

required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2021,

including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2021, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 16, 2022

EY S.p.A.

Signed by: Ettore Abate, Auditor

This report, that includes the opinion on the consolidated financial statements of EIP S.p.A. and the opinion on the TIM S.p.A.'s compliance with other legal and regulatory requirements as applicable to our audit, has been translated into the English language solely for the convenience of international readers. Accordingly, we express no such opinions in respect of the English translation of the consolidated financial statements of TIM S.p.A. and XHTML format thereof.

NETCO
COMBINED CARVE OUT
FINANCIAL INFORMATION
AS AT DECEMBER 31,
2023 AND 2022

COMBINED CARVE OUT STATEMENTS OF FINANCIAL POSITION

(million euros)	Notes	12/31/2023	12/31/2022
Non-current assets			
Goodwill	3)	—	—
Intangible assets with a finite useful life	3)	239	241
Property, plant and equipment owned	4)	9,720	9,252
Rights of use assets	5)	2,537	2,394
Other non-current assets		—	—
Other non-current financial assets		80	19
Miscellaneous receivables and other non-current assets	6)	525	541
Deferred tax assets	7)	65	50
Total Non-current assets	(a)	13,166	12,497
Current assets			
Inventories	8)	43	32
Trade and miscellaneous receivables and other current assets	9)	866	774
Current financial assets		276	116
Total Current assets	(b)	1,185	922
Total Assets	(a+b)	14,351	13,419

(million euros)	Notes	12/31/2023	12/31/2022
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	10)	3,571	3,023
Non-current financial liabilities for lease contracts	10)	2,075	1,910
Employee benefits	12)	305	317
Deferred tax liabilities	7)	20	17
Provisions	13)	223	219
Miscellaneous payables and other non-current liabilities	14)	582	575
Total Non-current liabilities	(c)	6,776	6,061
Current liabilities			
Current financial liabilities for financing contracts and others	10)	13	55
Current financial liabilities for lease contracts	10)	253	301
Trade and miscellaneous payables and other current liabilities	15)	1,951	1,676
Income tax payables		2	11
Total Current Liabilities	(d)	2,219	2,043
Total Liabilities	(e=c+d)	8,995	8,104
Invested capital	(f)	5,356	5,315
Total Liabilities and Invested capital	(e+f)	14,351	13,419

COMBINED CARVE OUT INCOME STATEMENT

(million euros)	Notes	Year 2023	Year 2022
Revenues	16)	2,119	1,896
Other income	17)	92	99
Total operating revenues and other income		2,211	1,995
Acquisition of goods and services	18)	(833)	(826)
Employee benefits expenses	19)	(1,041)	(1,056)
Other operating expenses	20)	(99)	(95)
Change in inventories		20	10
Internally generated assets		204	217
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		462	245
Depreciation and amortization	3-4-5)	(1,573)	(1,535)
Gains (losses) on disposals of non-current assets		—	—
Operating profit (loss) (EBIT)		(1,111)	(1,290)
Other income (expenses) from investments		—	—
Finance income	21)	4	—
Finance expenses	21)	(340)	(239)
Profit (loss) before tax		(1,447)	(1,529)
Income tax expense	7)	(164)	(182)
Profit (loss) for the year		(1,611)	(1,711)

NOTE 1

GENERAL INFORMATION

During the meeting held on July 6, 2022, the Board of Directors of TIM S.p.A. approved the strategic objective of reorganizing the Group in Italy with a view to overcoming the vertical integration and conferred a mandate on the CEO to assess and submit to the administrative body for all necessary resolutions, any transactions or possible transfer and valuation agreements for certain Group assets, with a view to achieving this strategic objective.

On November 3, 4 and 5, 2023, the Board of Directors of TIM S.p.A., at the outcome of an extensive and thorough examination, conducted with the assistance of leading financial and legal advisors, examined and accepted the binding offer submitted on October 16, 2023 by Kohlberg Kravis Roberts & Co. L.P. ("KKR") for the acquisition of TIM's fixed network assets (the so-called "**NetCo**" perimeter and hereinafter also referred as the "**NetCo business**"), by Optics BidCo (a subsidiary of KKR and with additional investor Azure Vista, a wholly owned subsidiary of Abu Dhabi Investment Authority).

In execution of the resolutions adopted, TIM S.p.A. signed the Transaction Agreement ("**TA**") relating to NetCo with Optics BidCo which regulates the followings steps (collectively "**The Transaction**"):

- the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia S.r.l. - in FiberCop S.p.A., a company that already manages the activities relating to the network secondary fiber and copper, and
- the simultaneous purchase by Optics BidCo of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself, following the aforementioned transfer (FiberCop post transfer of the business unit).

The transaction agreement provides that on the closing date a Master Services Agreement ("**MSA**") will be signed which will regulate the terms and conditions of the services that will be provided by NetCo to TIM S.p.A. following the completion of the transaction, which effects have not been reflected in the present document.

The completion of the transaction is expected in the summer of 2024, once the preliminary activities have been completed and the conditions precedent have been satisfied (completion of the transfer of the primary network, Antitrust authorization, authorization regarding distortive foreign subsidies); the Golden Power authorization was received, as per the press release issued on January 17, 2024.

For the purpose of completing the transaction, this special purpose combined financial statements (the combined carve out financial information) has been prepared for the purpose of preparing the documentation to be included in the Exchange Offering Memorandum. The historical data have been extracted from the audited general purpose financial statements of the TIM Group for the years ended 31 December 2023 and 2022.

It should be noted that:

- up to the effective date of the Transaction, NetCo never operated independently as a separate entity;
- it does not constitute an operating segment within the TIM Group pursuant to IFRS 8 - Operating segments;
- the carve-out entity includes only the business that will form the basis for the Transaction, as agreed between the parties, which may differ from the activities that were part of the business in the periods presented;
- revenues, other than those from third parties, cannot be identified separately in the overall revenue of the TIM Group;
- some categories of historical costs could have been identified only on the basis of various and complex assumptions which would have rendered the calculation difficult and highly subjective;
- the financial information presented are not representative of how NetCo would have performed had it operated as a separate entity and are not indicative of NetCo's future performance.

The NetCo Combined Carve-out Financial Information do not reflect the impact of any changes to the income statements and statement of financial position that might occur as a result of purchase accounting adjustments to be applied as a result of the Transaction by the acquiring entity.

The combined statement of cash flow, the combined statement of changes in net invested capital and the combined statement of comprehensive income have not been prepared because are not suitable to provide any useful information to the users of the present document considering the purpose of this financial information as described below.

NetCo business overview

NetCo's business spans a comprehensive range of activities over its fixed-line network, leveraging broadband and ultrabroadband technologies. NetCo offers connectivity services (for voice and data related services) to telecommunications operators, develops fiber optic networks for wholesale clients and provides active access services and associated equipment to its primary and secondary networks. In addition to these services, NetCo manages the maintenance and repair of its fixed-line network infrastructure and the care of related offices and buildings, as well as the provision of network engineering functions.

NetCo's network infrastructure consists of two main components: the backbone and the access networks. The backbone consists mainly of optical fibers and transport nodes. The access network is split in two sections, primary and secondary access networks, and consists of copper cables, optical cables and access nodes.

NetCo is expected to generate certain revenues and incur certain costs following the Transactions (or when run as an independent business), including but not limited to the following:

- **Revenues from public administrations** related to the access point, for both regulated and non-regulated wholesale services;
- **Revenues from other OLOs** mainly related to access rental, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, network related office, interconnection costs related to traditional voices;
- **Revenues from TIM Domestic ServCo¹** mainly related to access rental, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, network related office, office building and energy consumption, network engineering, interconnection costs related to traditional voices, based on the conditions set in the Master Services Agreement - MSA whose impacts are not reflected in the present document;
- **Costs** related to both fiber and copper network activation and maintenance activities, ultrabroadband circuit expansion and maintenance activities, infrastructure maintenance;
- **Costs towards TIM Domestic ServCo** related to the use and hosting in data centers, security services and ICT services, based on the conditions set in the MSA whose impacts are not reflected in the present document.

Financial information formats

The financial information formats adopted are consistent with those indicated in IAS 1. In particular:

- the Carve Out **Combined Statements of Financial Position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the Carve Out **Separate Combined Income Statement** has been prepared by classifying operating costs by nature of expense.

NOTE 2

SUMMARY OF THE CARVE OUT CRITERIA AND ACCOUNTING POLICIES ADOPTED FOR THE PREPARATION OF THE FINANCIAL INFORMATION

Basis for preparation

The NetCo combined carve out financial information for the year 2023 and 2022 have been prepared on a going concern basis.

The NetCo combined carve out financial information have been extracted from the 2023 and 2022 TIM Group Consolidated Financial Statements which were prepared in accordance with the International Accounting Standards, meaning all applicable "International Financial Reporting Standard", all applicable "International Accounting Standard" (IAS), all applicable interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretations Committee" (SIC) which were subject to approval by the European Union pursuant to the procedure set out in Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council of July 19, 2002 (hereinafter "**IFRS**"), and with the application of the specific carve-out criteria illustrated below.

The carve-out entity includes only the business that will form the basis for the Transaction, as part of the Transaction Agreement agreed between the parties, including an allocation of TIM's indirect structure costs. In particular, the elements of the statement of financial position, as well as the revenues and costs have been allocated, where possible and applicable, using the various methodologies detailed below.

As a result the carve-out entity may differ from the activities that were part of the business in the periods presented and therefore these carve-out financial statements are not general purpose and may not be suitable for another purpose.

This document includes the combined income statements and statement of financial position and the accompanying notes thereto of NetCo as of and for the year ended December 31, 2023, including comparative figures as of and for the year ended December 31, 2022 (the "**NetCo Combined carve out Financial Information**"), which have been prepared using the recognition and measurement criteria set forth in the accounting standards applied in preparing the 2023 TIM Group Consolidated Financial Statements.

The combined statement of cash flow, the combined statement of changes in net invested capital and the combined statement of comprehensive income have not been prepared because are not suitable to provide any useful information to the users of the present document considering the purpose of this financial information as described above.

¹ TIM Domestic ServCo includes the Domestic perimeter of TIM Group after the reorganization process, focused on commercial activities in Enterprise market and fixed and mobile commercial activities in Consumer and Small and Medium Business retail market.

The NetCo combined carve out financial information were prepared in euros, which is the currency of the prevailing economic environment in which the business is conducted. All amounts included in this document are presented in millions of euros, unless otherwise indicated.

The NetCo combined carve out financial information consist of:

- The business constituted by activities relating to TIM's fixed primary network (hereinafter "NetCo ramo carve out", or "NetCo Business")
- FiberCop S.p.A.
- Telenergia S.r.l.

Allocation criteria for the combined carve out financial information

The preparation of the NetCo ramo carve out financial information (i.e., the TIM fixed primary network), used for the purpose of the NetCo combined carve out financial information, required the use of certain allocation criteria as described below.

Financial information related to FiberCop S.p.A. and Telenergia S.r.l. were extracted from the historical financial information prepared by these entities for their inclusion in the consolidated financial statements of TIM Group; consequently, no allocation criteria were necessary.

Combined carve out Statement of Financial Position

As aforementioned, for the purpose of the NetCo combined carve out Statement of Financial Position, the financial figures related to FiberCop S.p.A. and Telenergia S.r.l. were the respective historical individual financial information, while for the NetCo ramo carve out financial information, the assets and liabilities included in the combined carve out financial information as of December 31, 2023 and 2022 were attributed to the NetCo perimeter based on the following criteria:

- assets and liabilities directly attributable to the NetCo perimeter were identified based on their nature, asset class and technical analysis (e.g. fixed assets related to the primary network, employee liabilities related to personnel employed and fully dedicated to the primary network business),
- assets and liabilities not directly attributable to the NetCo perimeter were allocated by using allocation drivers.

With specific reference to the assets and liabilities not directly attributable, the main allocation driver was the Full Time Equivalent ("FTE") contributed to the perimeter, except for mixed-use software that were allocated by using a percentage estimated by TIM engineering department.

In more details, with specific reference to the NetCo ramo carve out financial information included in the NetCo combined carve out financial information, the following allocation criteria have been adopted:

- **Goodwill:** for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve-out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction;
- **PP&E and intangible assets:** this class of assets includes mainly primary network (copper and fiber), underground and submarine cables, all real estate assets except for data centers, patents and intellectual property rights; such assets have been allocated primarily with a line-by-line direct allocation for the items 100% referable to the NetCo business based on the asset class or through a specific technical analysis, while a portion of such assets has been allocated based on the following drivers: FTE contributed to the perimeter and, for mixed-use software only, a percentage estimated by TIM engineering department;
- **Rights-of-Use assets:** this class of assets is the result of an allocation made primarily on a with a line-by-line basis (direct allocation) for the items 100% referable to the primary network business (mainly lands, buildings and software); for rights-of-use related to vehicles, the allocation has been made based on the FTE contributed to the perimeter;
- **Inventories:** the allocation has been made considering the nature of the technical equipment dedicated and used to conduct the infrastructure transferred to the perimeter (i.e., direct allocation without using any driver);
- **Trade receivables and Trade payables:** the allocation is based on the nature of such receivables/payables (e.g. wholesale business), with the exclusion of certain items as defined within the Transaction Agreement (i.e., trade receivables overdue by more than 365 days, including their related credit notes and bad debt provision and trade payables overdue by more than 365 days that involve suppliers who are also customers having overdue receivables by more than 365 days); VAT payables and receivables were not considered; bad debt provision has been allocated consistently with the allocation of the related trade receivables;
- **Other assets and liabilities:** the allocation is based on the nature of such assets/liabilities (e.g. deferred activation costs and deferred revenues related to the perimeter);
- **Provisions:** as defined within the Transaction Agreement, only the provision related to the asset retirement obligation has been allocated and includes the present value of the expected costs of dismantling/restoring the premises that are part of the perimeter. Based on definition agreed in the Transaction Agreement, certain provisions have been excluded from the carve-out perimeter although related to the NetCo business. Those items include in particular some personnel provision, some provision accrual, some bad debt provision;
- **Provisions for employee benefits:** it has been allocated primarily based on FTE dedicated to the perimeter;

- **Deferred tax assets and liabilities:** the allocation has been based on the assets/liabilities included in the carve-out perimeter, except for DTA of Telenergia relate to losses carried forward that have been excluded from the perimeter according to the TA's definition.

The NetCo combined carve out financial information does not include costs and payables related to the employees terminated in past years, including 2022 and 2023, as a result of the restructuring plans. Also, the NetCo combined carve out financial information does not include any amounts related to the advance payments received by the TIM Group at the end of 2023, related to NRRP within the framework of the tenders for the Italia 1 Giga Plan and the Italia 5G Backhauling Plan nor any guarantees required to be issued in case of advance payments attributable in relation to those tenders.

The Carve-out Financial Statements of the NetCo business are prepared on a carve-out basis from financial information of the Parent. All amounts presented relate to companies or the relevant portions of companies which are directly or indirectly controlled by the Parent; all intercompany accounts within the NetCo business and transactions within the NetCo business are eliminated.

For the purpose of the preparation of NetCo combined carve out financial information, no financial liabilities for financing contracts and others have been allocated to the NetCo business, except for the portion related to the right of used assets allocated to the NetCo business, accounted in accordance with IFRS16.

The "Invested Capital" of the NetCo business represents the net Investment of the Parent in the business. The Parent's historical retained earnings and accumulated other comprehensive income related to the NetCo business are included within "Invested capital" as separate presentation would not be meaningful.

Combined carve out Income Statement

As aforementioned, for the purpose of the NetCo combined carve out Income Statement, the financial figures related to FiberCop S.p.A. and Telenergia S.r.l. were the respective historical individual financial information prepared for their inclusion in the consolidated financial statements of the TIM Group, while for the NetCo ramo carve out financial information, the profit and loss captions included in the combined carve out financial information as at December 31, 2023 and 2022 were attributed to the NetCo perimeter based on certain criteria described below:

- **Revenues:** revenues from other licensed operators (OLOs) can be identified separately in the overall revenues of TIM and, therefore, the determination of the amount attributable to the NetCo ramo carve out did not entail the use of any allocation criteria. As such, revenues related to the NetCo ramo carve out refer to wholesale revenues from access to copper and fiber network towards OLOs. Revenues other than those from OLOs cannot be allocated since the current contracts in place with customers do not explicitly distinguish the portion related to or attributable to the network access, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, energy consumption, network engineering and interconnection costs related to traditional voice services. Therefore, the revenues associated with the activities carried out by the NetCo perimeter for the years 2022 and 2023 have not been presented for the purposes of preparing the combined carve out financial information.
- **Costs:** costs for the purchase of materials and services, employee benefits expenses and other operating costs that can be promptly identified and directly attributable to the NetCo perimeter have been included in the combined carve out financial information without the use of any driver/allocation criteria; however, in circumstances where an allocation parameter was deemed more appropriate, the FTE contributed to the NetCo perimeter has been used as driver.
- **Depreciation and amortization:** the allocation has been made consistently with the criteria set out for PP&E and Intangible assets.
- **Internally generated assets:** these items were derived on the basis of the relevant internally generated asset class allocated to the perimeter.
- **Income taxes:** the NetCo ramo carve out shows a net loss for both years 2023 and 2022 and as such no current and deferred taxes have been recognized.

Below is the detail of the allocations through drivers on Income Statements. Please note that such allocations entirely refer to NetCo ramo carve out.

Profit & Loss NetCo Carve out by allocation				
(million euros)	FY 2023		FY 2022	
	NetCo Combined	of which Driver-allocated	NetCo Combined	of which Driver-allocated
Revenues	2,119	43	1,896	38
Other income	92	10	99	6
Total operating revenues and other	2,211	53	1,995	44
Acquisition of goods and services	(833)	(104)	(826)	(113)
Employee benefit expenses	(1,041)	—	(1,056)	(2)
Internally generated assets	204	—	217	—
Other expenses	(79)	(31)	(85)	(29)
EBITDA	462	(82)	245	(100)
Depreciation and amortization	(1,573)	(12)	(1,535)	(13)
EBIT	(1,111)	(94)	(1,290)	(113)

Net financial charges and income taxes were directly allocated without using any drivers.

The allocations through drivers on Balance sheets refer to tangible assets for 24 million euros in 2023 and 25 million euros in 2022 (on a total amount of approximately of 9,720 million euros in 2023 and 9,252 million euros in 2022) and are related to NetCo ramo carve out.

Accounting policies for the combined carve out financial information

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill will be recognized in the NetCo combined carve out financial information at the acquisition date (including through mergers or contributions) of companies or business units and will be calculated as the difference between the consideration paid (measured in accordance with IFRS 3, generally determined on the basis of the fair value at the acquisition date) and the fair value at the acquisition date of the identifiable assets acquired net of the identifiable liabilities assumed.

As mentioned above, for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction. The exercise to determine the fair value of the net assets acquired will be carried out only after the Acquisition Closing Date.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate combined income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate combined income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate combined income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate combined income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate combined income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

Consistent with TIM Group accounting policies, NetCo has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the contract concerning the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), NetCo capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate combined income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, NetCo assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate combined income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate combined income statement.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular, impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. NetCo has reverse factoring agreements in place through which it gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for NetCo) receivables

due from NetCo. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Transfer of receivables

NetCo transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant NetCo a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between NetCo and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity as calculated is considered a "Defined benefit plan" and the related liability recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate combined income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of NetCo. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Provisions

NetCo records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of NetCo resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that NetCo will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which NetCo recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Revenues

Taking into account the contents of section "Allocation criteria for the combined carve out financial information" in relation to the failure to measure activities carried out in favor of TIM in the years 2023 and 2022, revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities.

Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and NetCo considers receipt of payment as probable;

- **identification of the performance obligations:** the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered to wholesale customers;
- **determination of the transaction price:** this is the total amount contracted with the other party regarding the entire contractual term; NetCo has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations:** the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.
- **recognition of revenues:** revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue. Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption. Traffic revenues from interconnection are reported gross of the amounts due to other TLC operators. Revenues for services rendered to wholesale customers are generally invoiced on a monthly basis and due 60 days after the date of issue.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- Contract assets are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
- Contract liabilities are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate combined income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the combined income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate combined income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of other financial instruments measured at fair value through the income statement.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of FiberCop S.p.A. and Telenergia S.r.l., while for NetCo ramo carve out, tax expenses are nil considering that the theoretical taxable basis is negative for both years 2022 and 2023.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the combined financial information.

Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Related Parties

Related parties are identified on the basis of the provisions of IAS 24 and mean those that share the same controlling entity with the Netco business, companies that directly or indirectly control it, are controlled, or are subject to joint control by the Netco business and those in which it holds a stake that can exercise a significant influence. The definition of related parties also includes the members of the controlling entity's Board of Directors and managers with strategic responsibilities. Managers with strategic responsibilities are those who have the power and responsibility to plan and control the Netco business' activities, directly or indirectly.

Use of accounting estimates

The preparation of NetCo combined carve out financial information and related notes requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically. The following accounting estimates are the same as those used in the TIM Group Consolidated Financial Statements.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by management are set out below.

Financial statements area	Accounting estimates
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, management assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. The estimate of expected cash flows took into account the risks arising from climate change, which at present do not have a significant impact on the NetCo's business model. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets takes into account the estimate of future taxable income and is based on conservative tax planning.

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in combined financial statements that represent faithfully the financial position and financial performance, reflect the economic substance of transactions, and are neutral, prudent and complete in all material aspects.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these combined financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 7: Statements of Cash Flows and IFRS 7 Financial instruments: Supplementary disclosures	1/1/2024
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	1/1/2025
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : non-current liabilities with covenants	1/1/2024
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024

The potential impacts on the NetCo combined carve out financial information from the application of these standards and interpretations are currently being assessed, however the expected impact on main financial and economic data are expected not material.

NOTE 3

GOODWILL AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

(million euros)	12/31/2022	Investments	Amortization	Other changes	12/31/2023
Goodwill	—			—	—
Industrial patents and intellectual property rights	127	45	(77)	66	161
Concessions, licenses, trademarks and similar rights	—		(1)	9	8
Work in progress and advance payments	114	29		(73)	70
Total	241	74	(78)	2	239

Goodwill, for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve-out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction.

Industrial patents and intellectual property rights at December 31, 2023, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years; they are related mainly to NetCo ramo carve out (152 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2023 mainly refer to the extension of the license for 28 GHz band, expiring on December 31, 2029.

Work in progress and advance payments mainly relate to investments in Operation & Wholesale System Transformation activities of NetCo ramo carve out.

The main changes in 2022 are the following:

(million euros)	Investments	Amortization
Industrial patents and intellectual property rights	43	(62)
Work in progress and advance payments	85	
Total	128	(62)

NOTE 4

PROPERTY, PLANT AND EQUIPMENT OWNED

(million euros)	12/31/2022	Investments	Depreciation	Disposals	Other changes	12/31/2023
Land	198				(2)	196
Buildings (civil and industrial)	433	3	(27)		6	415
Plant and machinery	8,251	1,211	(1,129)	(7)	116	8,442
Manufacturing and distribution equipment	17	5	(6)		—	16
Other	25	5	(11)		2	21
Construction in progress and advance payments	328	440			(138)	630
Total	9,252	1,664	(1,173)	(7)	(16)	9,720

Land comprises both built-up land and other available land and is not subject to depreciation. It entirely refers to NetCo ramo carve out.

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. They entirely refer to NetCo ramo carve out.

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The balance at December 31, 2023 is attributable to FiberCop S.p.A. (4,595 million euros) and NetCo ramo carve out (3,847 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers to NetCo ramo carve out.

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines. It essentially refers to NetCo ramo carve out.

Construction in progress and advance payments include the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

Depreciation for the years 2023 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	3% - 6,66%
Plant and machinery	3% - 50%
Manufacturing and distribution equipment	20%
Other	11% - 33,33%

The main changes in 2022 are the following:

(million euros)	Investments	Depreciation	Disposals
Buildings (civil and industrial)	6	(27)	
Plant and machinery	1,278	(1,117)	(4)
Manufacturing and distribution equipment	5	(8)	
Other	7	(13)	
Construction in progress and advance payments	142		
Total	1,438	(1,165)	(4)

NOTE 5

RIGHTS OF USE ASSETS

(million euros)	12/31/2022	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Other changes	12/31/2023
Property	2,086	23	421	(275)	(1)	(11)	2,243
Plant and machinery	225	41	1	(26)		(2)	239
Other tangible assets	52		2	(20)	(1)	1	34
Construction in progress and advance payments	30	12				(21)	21
Intangible assets	1			(1)			—
Total	2,394	76	424	(322)	(2)	(33)	2,537

Property includes buildings and land under finance leases and the related building adaptations, attributable to NetCo ramo carve out.

Plant and machinery mainly includes rights of use on infrastructures for telecommunications services. They refer to FiberCop S.p.A. (152 million euros) and NetCo ramo carve out (87 million euros).

Other tangible assets mainly comprises the leases on motor vehicles and they mainly refer to NetCo ramo carve out.

The main changes in 2022 are the following:

(million euros)	Investments	Increases in lease contracts	Depreciation and amortization
Property	14		(262)
Plant and machinery	23	11	(24)
Other tangible assets			(21)
Construction in progress and advance payments	24		
Intangible assets			(1)
Total	61	11	(308)

NOTE 6

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

(million euros)		12/31/2023	12/31/2022
Miscellaneous receivables (non-current)	(a)	—	—
Other non-current assets			
Deferred contract costs		514	531
Other deferred costs		11	11
	(b)	525	542
Total	(a+b)	525	542

Deferred contract costs are mainly related to the deferral of costs related to the activation of new contracts with customers. Contractual costs (mainly technical activation costs) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 8 years for the fixed-line business). They refer to NetCo ramo carve out.

NOTE 7

INCOME TAXES

Deferred tax assets and deferred tax liabilities

The net balance of 45 million euros at December 31, 2023 (33 million euros at December 31, 2022) breaks down as follows:

(million euros)	12/31/2023	12/31/2022
Deferred tax assets	65	50
Deferred tax liabilities	(20)	(17)
Total	45	33

The deferred tax assets at December 31, 2023 and 2022 refer to NetCo and Fibercop.

The deferred tax liabilities at December 31, 2023 and 2022 refers to NetCo.

The temporary differences which made up this line item at December 31, 2023 and 2022, as well as the movements during 2023, were as follows:

(million euros)	12/31/2022	Recognized in profit or loss	Other changes	12/31/2023
Deferred tax assets				
Provision for bad debts	2			2
Taxed depreciation and amortization	45	15		60
Other deferred tax assets	3			3
Total	50	15	—	65
Deferred tax liabilities				
Land and buildings	(13)			(13)
Accelerated depreciation	(4)		(3)	(7)
Total	(17)	—	(3)	(20)
Total Deferred tax assets net of Deferred tax liabilities	33	15	(3)	45

Income tax expense

The income tax expense for the years 2023 and 2022 breaks down as follows:

(million euros)	2023	2022
Current taxes for the year	180	186
Net difference in prior year estimates	(1)	—
Total current taxes	179	186
Deferred taxes	(15)	(4)
Total income tax expense for the year	164	182

The income tax expenses includes only the actual income tax expense of FiberCop S.p.A. and Telenergia S.r.l. calculated on a stand alone basis, applying a notional tax rate of 24% for IRES and 4.5% for IRAP.

The total current taxes also include the effect (1 million euros) of the final (lower) estimate of previous year income taxes.

The 2023 deferred taxes for an amount of 9 million euros include the accrual of tax assets on taxed depreciation and amortization of NetCo and FiberCop tangible assets.

NOTE 8

INVENTORIES

(million euros)	12/31/2023	12/31/2022
Finished goods	43	32
Total	43	32

Finished goods essentially consist of fixed telecommunications equipment and refer to NetCo ramo carve out.

NOTE 9

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

(million euros)	12/31/2023	12/31/2022
Trade receivables		
Receivables from customers	648	572
	(a)	572
Miscellaneous receivables (current)		
Other receivables	(b) 51	87
Other current assets		
Contract assets	51	—
Deferred contract costs	96	96
Other deferred costs	20	19
	(c)	115
Total	(a+b+c) 866	774

Trade receivables are stated net of the provision for bad debts. As at December 31, 2023 they are related to NetCo ramo carve out (397 million euros), FiberCop S.p.A. (221 million euros) and Telenergia S.r.l. (30 million euros).

Movements in the provision for bad debts in 2023 were as follows:

(million euros)	12/31/2023
At January 1	10
Provision charges to the income statement	8
Utilization and decreases	(7)
Other changes	
At December 31	11

In 2022 the provision charges for bad debts to the income statement were equal to 4 million euros.

Miscellaneous receivables (current) refer to other receivables and mainly include the credits for Group Value Added Tax (VAT) (35 million euros).

Other current assets mainly include:

- **Contract assets** relating to works carried out in 2023 in connection with the NRRP projects by FiberCop S.p.A. (34 million euros) and NetCo ramo carve out (17 million euros).
- **Deferred contract costs** referred to NetCo ramo carve out and mainly related to technical activation costs. Further details on Deferred contract costs are provided in the Note "Miscellaneous receivables and other non-current assets".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities (gross financial debt) are broken down as follows:

(million euros)	12/31/2023	12/31/2022
Non-current financial liabilities for financing contracts and others		
Financial payables (medium/long-term):		
Amounts due to banks	1,491	1,489
Other financial payables	2,080	1,534
(a)	3,571	3,023
Non-current financial liabilities for lease contracts	(b)	2,075
Total non-current financial liabilities	c=(a+b)	5,646
Current financial liabilities for financing contracts and others		
Financial payables (short term):		
Amounts due to banks	1	—
Other financial payables	12	55
(d)	13	55
Current financial liabilities for lease contracts	(e)	253
Total current financial liabilities	f=(d+e)	266
Financial liabilities directly associated with Discontinued operations/ Non-current assets held for sale	(g)	—
Total Financial liabilities (Gross financial debt)	h=(c+f+g)	5,912
		5,289

Medium/long-term amounts due to banks totaled 1,491 million euros (1,489 million euros at December 31, 2022) and referred to a 5-year Term Loan signed on December 23, 2021 with a pool of international banks.

Other medium/long-term financial payables totaled 2,080 million euros (1,534 million euros at December 31, 2022) and referred to the Facility Agreement between FiberCop S.p.A. and TIM S.p.A. signed at the same time of the business branch transfer on March 31, 2021. During the year 2023, 537 million euros were drawdown from the facility granted by TIM S.p.A. in order to finance investment activities.

Medium/long-term **financial liabilities for lease contracts** amounted to 2,075 million euros (1,910 million euros at December 31, 2022), whilst short-term payables totaled 253 million euros (301 million euros at December 31, 2022) and included 250 million euros in the current portion of financial liabilities for medium/long-term lease contracts (289 million euros at December 31, 2022).

Other current financial payables for the amount of 12 million euros (55 million euros at December 31, 2022) were due to the Parent Company TIM S.p.A..

NOTE 11

NET FINANCIAL POSITION

The **Net financial position** is broken down as follows:

(million euros)	12/31/2023	12/31/2022
Non-current financial liabilities		
Amounts due to banks, other financial payables and liabilities	3,571	3,023
Non-current financial liabilities for lease contracts	2,075	1,910
	5,646	4,933
Current financial liabilities		
Amounts due to banks, other financial payables and liabilities	13	55
Current financial liabilities for lease contracts	253	301
	266	356
Total Gross financial debt (a)	5,912	5,289
Non-current financial assets		
Non-current financial receivables arising from lease contracts	(63)	—
Financial receivables and other non-current financial assets	(17)	(19)
	(80)	(19)
Current financial assets		
Current financial receivables arising from lease contracts	(118)	(53)
Financial receivables and other current financial assets	(6)	(6)
Cash and cash equivalents	(152)	(57)
	(276)	(116)
Total financial assets (b)	(356)	(135)
Net financial debt carrying amount (a+b)	5,556	5,154

NOTE 12

EMPLOYEE BENEFITS

(million euros)		12/31/2023	12/31/2022
Provision for employee severance indemnities	(a)	305	317
Provision for pension and other plans		—	—
Provision for termination benefit incentives and corporate restructuring		—	—
Total other employee benefits	(b)	—	—
Total	(a+b)	305	317
<i>of which:</i>			
non-current portion		305	317
current portion (*)		—	—

(*) The current portion refers only to Other provisions for employee benefits.

Please note there are no assets servicing the Provision for employee severance indemnities.

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	2.00% per annum	2.00% per annum
Discount rate	3.08% per annum	3.08% per annum
Employee severance indemnities annual increase rate	3.0% per annum	3.0% per annum
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 305 million euros at December 31, 2023.

NOTE 13

PROVISIONS

The provisions break down as follows:

(million euros)	12/31/2022	Increase	Taken to income	Used directly	Other changes	12/31/2023
Provision for restoration costs	218	12	(2)	(7)	1	222
Provision for legal disputes	1	1		(1)		1
Total	219	13	(2)	(8)	1	223
of which:						
non-current portion	219					223
current portion	—					—

The **provision for restoration costs** related to the provision for restoration of leased real estate and the dismantling of tangible assets (in particular: batteries, wooden poles); it is attributable to FiberCop S.p.A. (127 million euros) and NetCo ramo carve out (95 million euros).

NOTE 14

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

The figure breaks down as follows:

(million euros)	12/31/2023	12/31/2022
Miscellaneous payables (non-current)		
Other payables	137	150
(a)	137	150
Other non-current liabilities		
Deferred revenues from customer contracts (Contract liabilities)	21	25
Other deferred revenue and income	160	165
Capital grants	264	235
(b)	445	425
Total	(a+b) 582	575

Miscellaneous payables (non-current) at December 31, 2023 refer to the payables of FiberCop S.p.A. (135 million euros) and Telenergia S.r.l. (2 million euros) to the Parent Company TIM S.p.A. deriving from the tax consolidation.

The **other non-current liabilities** mainly include:

- **Other deferred revenue and income** including deferred revenues related to agreements for the sale of the transmission capacity. They relate mainly to NetCo ramo carve out (149 million euros).
- **Capital grants** representing the component still to be released to the income statement based on the useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 15

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

The figure breaks down as follows:

(million euros)	12/31/2023	12/31/2022
Trade payables		
Payables due to suppliers	1,489	1,291
(a)	1,489	1,291
Tax payables	(b)	3
Miscellaneous payables		
Payables for employee compensation	50	63
Payables to social security agencies	1	—
Other	176	111
(c)	227	174
Other current liabilities		
Liabilities from customer contracts (Contract liabilities)	159	145
Other deferred revenue and income	30	30
Other	43	36
(d)	232	211
Total	(a+b+c+d) 1,951	1,676

Trade payables at December 31, 2023 refer to NetCo ramo carve out for 1,375 million euros, to Telenergia S.r.l. for 99 million euros and FiberCop S.p.A. for 15 million euros.

Miscellaneous payables mainly comprise the current portion of the payable of FiberCop S.p.A. to Parent Company TIM S.p.A. deriving from the tax consolidation (148 million euros at December 31, 2023).

Other current liabilities include:

- **Liabilities arising from contracts with customers (Contract liabilities):** this item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which they have received consideration. Liabilities with customers generally have a maturity of up to 12 months.
- **Other deferred revenue and income:** mainly referred to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Other:** related to payables for advances on network works in progress and referred to NetCo ramo carve out (35 million euros) and FiberCop S.p.A. (8 million euros).

NOTE 16

REVENUES

The breakdown is as follows:

(million euros)	2023	2022
Equipment sales	317	155
Services	1,802	1,741
Total	2,119	1,896

NOTE 17

OTHER INCOME

The breakdown is as follows:

(million euros)	2023	2022
Late payment fees charged for telephone services	7	8
Recovery of employee benefit expenses, purchases and services rendered	11	3
Capital and operating grants	27	26
Damages, penalties and recoveries connected with litigation	14	18
Estimate revisions and other adjustments	11	13
Income for special training activities	3	1
Other	19	30
Total	92	99

NOTE 18

ACQUISITION OF GOODS AND SERVICES

The breakdown is as follows:

(million euros)	2023	2022
Purchase of raw materials and goods (a)	130	86
Costs of services:		
Costs for telecommunications network access services	14	14
Commissions, sales commissions and other selling expenses	5	5
Advertising and promotion expenses	2	2
Utilities	361	365
Maintenance costs	293	329
Professional services, Outsourcing costs and Other Services	21	20
(b)	696	735
Lease and rental costs:		
Rent and leases	1	1
TLC circuit subscription charges	1	1
Other lease and rental costs	5	3
(c)	7	5
Total (a+b+c)	833	826

NOTE 19

EMPLOYEE BENEFITS EXPENSES

The figure breaks down as follows:

(million euros)	2023	2022
Ordinary employee expenses		
Wages and salaries	722	755
Social security expenses	270	282
Other employee benefits	43	15
(a)	1,035	1,052
Costs and provisions for agency contract work	(b)	—
Miscellaneous expenses for employees and other labor-related services rendered		
Corporate restructuring expenses	—	1
Other	6	3
(c)	6	4
Total	(a+b+c)	1,041
		1,056

In 2023 “Employee benefit expenses” refer to NetCo ramo carve out for 1,032 million euros and to FiberCop S.p.A. for 9 million euros.

The average salaried workforce, including agency contract workers, stood at 18,047 employees in 2023 (18,684 employees in 2022). A breakdown by category is as follows:

(number of units)	2023	2022
Executives	136	156
Middle Managers	909	987
White collars	17,002	17,541
Employees on payroll	18,047	18,684
Agency contract workers	—	—
Total average salaried workforce	18,047	18,684

NOTE 20

OTHER OPERATING EXPENSES

The breakdown is as follows:

(million euros)	2023	2022
Write-downs and expenses in connection with credit management	7	4
Provision charges	2	1
TLC operating fees and charges	23	23
Indirect duties and taxes	49	54
Penalties, settlement compensation and administrative fines	8	5
Subscription dues and fees, donations, scholarships and traineeships	3	3
Other	7	5
Total	99	95

NOTE 21

FINANCE INCOMES AND EXPENSES

Financial incomes (expenses) showed in 2023 a net expense of 336 million euros (expense of 239 million euros in 2022) and included:

(million euros)	2023	2022
Finance income	4	—
Finance expenses	(340)	(239)
Finance income (expenses), net	(336)	(239)

The items break down as follows:

(million euros)	2023	2022
Interest expenses and other finance expenses:		
Interest expenses to banks	(64)	(20)
Interest expenses to others	(126)	(52)
Interest expenses on lease liabilities	(107)	(100)
	(297)	(172)
Commissions	(22)	(25)
Other finance expenses	(21)	(42)
	(43)	(67)
Interest incomes and other finance incomes		
Interest income	3	—
Income from financial receivables recorded in non-current assets	1	—
	4	—
Net interests / financial charges (a)	(336)	(239)
Total other components of financial income and expense (b)	—	—
Total net financial incomes (expenses) (a+b)	(336)	(239)

The increase of net financial expense was mainly due to the increase in interest rates.

NOTE 22

RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related-party transactions and the impact of those amounts on the separate combined income statement and on the combined statements of financial position.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length.

The effects of the related-party transactions on the NetCo separate combined income statement line items for 2023 and 2022 are as follows:

SEPARATE COMBINED INCOME STATEMENT LINE ITEMS 2023

(million euros)	Total	Parent Company	Companies subject to common control	Other related parties	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Revenues	2,119	29	56	284	369	17.4
Other income	92	1		(11)	(10)	(10.9)
Acquisition of goods and services	833	3	3	39	45	5.4
Depreciation and amortization	1,573			5	5	0.3
Finance income	4			(1)	(1)	(25.0)
Finance expenses	340	145			145	42.6

SEPARATE COMBINED INCOME STATEMENT LINE ITEMS 2022

(million euros)	Total	Parent Company	Companies subject to common control	Other related parties	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Revenues	1,896	13	55	124	192	10.1
Other income	99		2		2	2.0
Acquisition of goods and services	826		4	76	80	9.7
Depreciation and amortization	1,534			4	4	0.3
Finance expenses	239	73			73	30.5

The effects of related-party transactions on the NetCo combined statements of financial position line items at December 31, 2023 and December 31, 2022, are as follows:

COMBINED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2023

(million euros)	Total	Parent Company	Companies subject to common control	Other related parties	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Rights of use assets	2,537			50	50	2.0
Miscellaneous receivables and other non-current assets	525	1			1	0.2
Trade and miscellaneous receivables and other current assets	866	238	17	34	289	33.4
Miscellaneous payables and other non-current liabilities	582	140		32	172	29.6
Trade and miscellaneous payables and other current liabilities	1,951	168	3	33	204	10.5

Related-party transactions on the Net financial position items referred for 2,081 million euros to the Facility Agreement between FiberCop S.p.A. and TIM S.p.A. signed at the same time of the business branch transfer on March 31, 2021.

COMBINED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total	Parent Company	Companies subject to common control	Other related parties	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Rights of use assets	2,394			37	37	1.5
Trade and miscellaneous receivables and other current assets	775	183	23	49	255	32.9
Miscellaneous payables and other non-current liabilities	575	150		30	180	31.3
Trade and miscellaneous payables and other current liabilities	1,676	125	4	46	175	10.4

NOTE 23 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

(million euros)	2023	2022
Other income:		
Recovery of operating expenses	(11)	2
Acquisition of goods and services, Change in inventories:		
Acquisition of goods and services - Charges related to agreements and the development of non-recurring projects and other charges	(1)	(11)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(2)	(3)
Other operating expenses:		
Expenses related to disputes and regulatory penalties and liabilities related to those expenses, other provisions and charges	(3)	(1)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(17)	(13)
Impact on Operating profit (loss) (EBIT)	(17)	(13)
Finance income:		
Other finance income	(1)	
Impact on profit (loss) before tax from continuing operations	(18)	(13)
Impact on profit (loss) for the year	(18)	(13)

Non-recurring expenses relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which impact results in a significant amount. Specifically, non-recurring events for the year ended December 31, 2023 and 2022 mainly include:

- expenses related to COVID emergency prevention;
- write-off, in 2023, of a positive income related to a Telenergia dispute; and
- personnel costs related to training.

NOTE 24 OTHER INFORMATION

Guarantees

At December 31, 2023 personal guarantees amount to 19 million euros (24 million euros at December 31, 2022), granted to certain suppliers of Telenergia to guarantee the correct fulfilment of its contractual obligations.

The guarantees provided by third parties to NetCo, amount to 789 million euros at December 31, 2023 (725 million euros at December 31, 2022) and are comprised of:

- 218 million euros (156 million euros at December 31, 2022) issued by banks or other financial institutions to guarantee the proper fulfilment of Telenergia's contractual obligations towards its suppliers (147 million euros; 58 million euros at December 31, 2022)) and other obligations (mainly rentals);
- 571 million euros (569 million euros at December 31, 2022) are insurance guarantees of which 353 million euros at December 31, 2023 and December 31, 2022 performance bonds issued in favor of Infratel under the National Recovery and Resilience Plan in relation to "Italia a 1G" and "5G BH" plans.

NOTE 25 EVENTS SUBSEQUENT TO DECEMBER 31, 2023

Golden Power approval for NetCo operation received

On January 17, 2024, TIM, as part of the activities finalized to the closing of the agreement for the sale of NetCo and following the transaction agreement signed with Optics BidCo (a subsidiary of Kohlberg Kravis Roberts & Co. L.P. "KKR"), announces that it has received approval to execute the transaction pursuant to the Golden Power legislation. The authorization measure, by which the Council of Ministers exercised its special powers in the form of prescriptions only, adopted the commitments presented in the course of the procedure. These commitments were deemed by the Government to be fully adequate to guarantee the protection of the strategic interests connected with the assets involved in the transaction.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
TIM S.p.A.

Opinion

We have audited the combined carve out financial information of the fixed network assets business of TIM S.p.A. (the “**NetCo Business**”), which comprise the combined carve out statements of financial position as of December 31, 2023 and 2022, the combined carve out income statements for the years then ended, and notes to the combined carve out financial information, including a summary of material accounting policies information (the “**NetCo Combined Carve out Financial Information**”).

In our opinion, the accompanying NetCo Combined Carve out Financial Information of the NetCo Business for the years ended December 31, 2023, and 2022, are prepared in all material respects, in accordance with the criteria set forth in *Note 2 – Summary of the carve out criteria and accounting policies adopted for the preparation of the financial information* to the NetCo Combined Carve out Financial Information (the “**Criteria**”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the NetCo Combined Carve out Financial Information* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to *Note 2 – Summary of the Carve out criteria and accounting policies adopted for the preparation of the financial information* to the NetCo Combined Carve out Financial Information, which describes the basis of accounting. The NetCo Combined Carve out Financial Information are prepared for the sole purpose of preparing the documentation to be included in the Exchange Offering Memorandum for the proposed exchange offers to: i) the holders of certain USD denominated notes for the corresponding series of new USD denominated notes to be issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A., ii) the holders of certain Euro denominated notes for the corresponding series of new Euro denominated notes to be issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A., and iii) to the holders of certain Euro denominated notes for the corresponding series of new Euro denominated notes to be issued by TIM S.p.A.. As a result, the NetCo Combined Carve out Financial Information and our opinion thereto, may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Other Matters

As stated in Note 1 – *General Information* and Note 2 – *Summary of the Carve out criteria and accounting policies adopted for the preparation of the financial information*, the NetCo Business is an integrated business of the TIM Group and is not a stand-alone business or entity. The NetCo Combined Carve out Financial Information of the NetCo Business reflects the assets, liabilities, revenue and expenses directly attributable to the NetCo Business, as well as allocations deemed reasonable by management, to present the carve out financial position and results of operations of the NetCo Business on a stand-alone basis and includes only the business that will form the basis for the transaction as identified in the Transaction Agreement agreed between the parties, and do not necessarily reflect the financial position and results of operations of the NetCo Business in the future or what they would have been had the NetCo Business been a separate stand-alone business or entity during the years presented.

Responsibilities of Management and Those Charged with Governance for the NetCo Combined Carve out Financial Information

Management is responsible for the preparation of the NetCo Combined Carve out Financial Information in accordance with the Criteria and for such internal control as management determines is necessary to enable the preparation of NetCo Combined Carve out Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the NetCo Combined Carve out Financial Information, management is responsible for assessing the NetCo Business' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the NetCo Business's financial reporting process.

Auditor's Responsibilities for the Audit of the NetCo Combined Carve out Financial Information

Our objectives are to obtain reasonable assurance about whether the NetCo Combined Carve out Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these NetCo Combined Carve out Financial Information.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the NetCo Combined Carve out Financial Information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NetCo Business internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we have concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NetCo Business ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the NetCo Combined Carveout Financial Information or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NetCo Business to cease to continue as a going concern;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NetCo Business to express an opinion on the NetCo Combined Carve out Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

Turin, April 10, 2024

EY S.p.A.



Ettore Abate
(Auditor)