IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES AND TO INVESTORS WHO, IF RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OR IN THE UNITED KINGDOM, ARE NOT RETAIL INVESTORS (EACH AS DEFINED BELOW).

IMPORTANT: You must read the following notice before continuing. The following applies to the attached final information memorandum (the "**Information Memorandum**") and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Information Memorandum. In accessing the Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, any time you receive any information from the Issuer and the Bookrunners (as defined in the Information Memorandum) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) ("**REGULATION S**") EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE INFORMATION MEMORANDUM OR THIS TRANSMISSION IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE INFORMATION MEMORANDUM.

Confirmation of your representation: In order to be eligible to view the Information Memorandum or make an investment decision with respect to the said securities, prospective investors must be non-U.S. persons (as defined in Regulation S) and be located outside the United States. The Information Memorandum is being sent to you at your request and, by accessing the Information Memorandum, you shall be deemed to have represented to the Issuer and the Bookrunners that (1) you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia and (2) you consent to delivery of the Information Memorandum by electronic transmission.

You are reminded that the Information Memorandum has been delivered to you on the basis that you are a person into whose possession the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Information Memorandum to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Bookrunners or any affiliate of the Bookrunners is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

The Information Memorandum may only be distributed to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any investment or investment activity to which the Information Memorandum may relate is only available to, and any invitation, offer, or agreement to engage in such investment or investment activity will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Information Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer and the Bookrunners, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Bookrunners.

CONFIDENTIAL
INFORMATION MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
NOT FOR DISTRIBUTION IN THE UNITED STATES

TIM S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€750,000,000 7.875 per cent. Notes due 31 July 2028

The €750,000,000 7.875 per cent. Notes due 31 July 2028 (the "**Notes**") are issued by TIM S.p.A. (the "**Issuer**" or "**TIM**"), and will be constituted by a trust deed (the "**Trust Deed**") to be dated on or about 20 July 2023, between the Issuer and GLAS Trustees Limited as trustee (the "**Trustee**", which expression shall include its successors as trustee for the holders of the Notes (the "**Noteholders**") for the time being) (the "**Offering**"). The Notes will be issued and the Trust Deed will become effective on 20 July 2023 (the "**Issue Date**"). The issue price of the Notes is 99.996 per cent. of their principal amount. Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 31 July 2028 (the "**Maturity Date**"). The Notes are subject to redemption in whole, but not in part, at their principal amount, together (if appropriate) with accrued interest to (but excluding) the date of redemption, at the option of the Issuer at any time in the event the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*), subject as set out in Condition 6.2 (*Redemption for Taxation Reasons*). The Issuer may also, at its option and at any time on the relevant Optional Redemption Date, redeem the outstanding Notes, in whole or in part, at the Optional Redemption Amount, together with accrued interest to (but excluding) the relevant Optional Redemption Date (see Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*)). In addition, the Issuer may, on any one or more occasions, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 107.875 per cent. of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering as further described in Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*). The Issuer may also redeem all outstanding Notes on the date falling 90 days prior to the Maturity Date at their outstanding principal amount pursuant to Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*).

Each Noteholder may require the Issuer to redeem their Notes at 101 per cent. of their principal amount, together with accrued interest to (but excluding) the Put Date, upon the occurrence of a Change of Control or a Network Event as described in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*).

The Notes will bear interest from and including the Issue Date (as defined below) to but excluding the Maturity Date at the rate of 7.875 per cent. *per annum*, payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 January 2024, as described in Condition 4 (*Interest*). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under Condition 7 (*Taxation*). The Notes and the Coupons relating to them are unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (*Restrictions on Security Interests*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

The Notes will be offered and sold to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**").

THE NOTES HAVE NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. For a further description of certain restrictions on the offering and sale of the Notes, see "*Notice to Investors*" and "*Subscription and Sale and Transfer and Selling Restrictions*".

Subject to and as set out in Condition 7 (*Taxation*), the Issuer shall not be liable to pay any Additional Amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as the same may be amended or supplemented from time to time), where the Notes are held by a Noteholder resident for tax purposes in a country which does not allow for a satisfactory exchange of information with Italy and otherwise in the circumstances described in Condition 7 (*Taxation*).

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" beginning on page 31.

There is currently no public market for the Notes. Application will be made to the Luxembourg Stock Exchange (the "**Exchange**") for the Notes to be listed on the Official List of the Exchange and traded on the Exchange's Euro MTF Market. There can be no assurance that the Notes will be listed on the Official List of the Exchange and admitted for trading on the professional segment of the Euro MTF Market thereof. The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**") nor a UK regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**"). This Information Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019 (the "**Luxembourg Prospectus Law**") but is not a prospectus published in accordance with the requirements of Regulation (EU) 2017/1129 as amended (the "**Prospectus Regulation**").

The Notes are rated B1 by Moody's Italia S.r.l. ("**Moody's**"), B+ by S&P Global Ratings Europe Limited ("**S&P**") and BB- by Fitch Ratings Ireland Limited ("**Fitch**"). Each of Moody's, S&P and Fitch is established and operating in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Moody's, S&P and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered- and-certified-CRAs) in accordance with the CRA Regulation. Accordingly, the ratings of the Notes issued by Moody's, S&P and Fitch have been endorsed by Fitch Ratings Ltd, Moody's Investors Service Limited and S&P Global Ratings UK Limited, respectively, in accordance with the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and have not been withdrawn. As such, the ratings issued by each of Fitch, Moody's and S&P may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Please also refer to "*Risk Factors−Risks relating to the Notes generally−Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time*" section of this Information Memorandum.

The Notes will be in bearer form and will initially be represented by a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or prior to the Issue Date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**"), without interest coupons, on or after a date which is expected to be 29 August 2023 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances. See "*Summary of the Provisions Relating to the Notes while Represented by the Global Notes*" in this Information Memorandum.

Joint Global Coordinators and Physical Bookrunners

BNP PARIBAS

Goldman Sachs International
(Billing & Delivery)

J.P. Morgan

Joint Bookrunners

BBVA

Crédit Agricole CIB

Santander Corporate & Investment Banking

Société Générale Corporate & Investment Banking

UniCredit

The date of this Information Memorandum is 17 July 2023.

NOTICE TO INVESTORS

This Information Memorandum does not constitute a prospectus for the purposes of Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything affecting the import of such information.

The information on the websites to which this Information Memorandum refers does not form part of this Information Memorandum.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by BNP Paribas, Goldman Sachs International and J.P. Morgan SE (the "**Joint Global Coordinators and Physical Bookrunners**") and Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, Société Générale and UniCredit Bank AG (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators and Physical Bookrunners, the "**Initial Purchasers**") as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum or any other information provided by the Issuer in connection with the Notes. No Initial Purchaser accepts any liability in relation to the information contained in this Information Memorandum or any other information provided by the Issuer in connection with the Notes.

Neither the Initial Purchasers nor any of their respective affiliates have authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum or any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and the Offering.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or consistent with this Information Memorandum or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Initial Purchasers.

Neither this Information Memorandum nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuer or any of the Initial Purchasers that any recipient of this Information Memorandum or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Initial Purchasers to any person to subscribe or purchase any Notes.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Notes is correct as at any time subsequent to the date indicated in the document containing the same. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

By receiving this Information Memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Information Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and are subject to U.S.

tax law requirements. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this document, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer or the Initial Purchasers has any responsibility therefor.

As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this Information Memorandum. None of the Issuer or the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. None of the Issuer or the Initial Purchasers are making any representation to you that the Notes are a legal investment for you.

We reserve the right to withdraw the Offering at any time. The Issuer and the Initial Purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. The Issuer and the Initial Purchasers also reserve the right to sell less than all the Notes offered by this Information Memorandum or to sell to any purchaser less than the amount of Notes it has offered to purchase.

In this Information Memorandum, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

The language of this Information Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("**ECPs**") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO HONG KONG INVESTORS

The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors", as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

NOTICE TO ITALIAN INVESTORS

No action has been or will be taken which could allow an offering to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of the Italian Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Consolidated Financial Act**") and, in particular, the Offering has not been submitted to and/or cleared by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission) pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following Information Memorandum or of any other document relating to the Notes described in this Information Memorandum be distributed in the Republic of Italy, except: (1) to qualified investors *(investitori qualificati*) pursuant to Article 2, paragraph (e) of the Prospectus Regulation, Article 100 of Legislative Decree No.58 of 24 February 1998, as amended and the implementation (the "**Italian Securities Act**") and implementing CONSOB regulations, including CONSOB Regulation No. 20307 of 15 February 2018, as amended ("**CONSOB Regulation on Intermediaries**"), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**CONSOB Regulation on Issuers**"), and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Italian Securities Act and implementing CONSOB regulations, including CONSOB Regulation on Issuers and the applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this Information Memorandum nor any other material relating to the Notes, may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Information Memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Italian Consolidated Financial Act) permitted to conduct such activities in Italy in accordance, as applicable, with the Italian Consolidated Banking Act as subsequently integrated and amended, the Italian Consolidated Financial Act, the Issuers' Regulation, the CONSOB Regulation on Intermediaries and any other applicable laws and regulations; (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, and the implementing guidelines of the Bank of Italy issued on 25 August 2015, as amended on 10 August 2016 and 2 November 2020 and as further amended from time to time) and/or other competent Italian authority; and (c) in compliance with any other applicable laws and regulations imposed by CONSOB, the Bank of Italy or any other Italian competent authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

NOTICE TO FRENCH INVESTORS

This Information Memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411 1 of the French Code monétaire et financier and Title 1 of Book II of the *Règlement Général de l'Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the *Autorité des marchés financiers* (the "**AMF**"), nor any competent authority of another EEA Member State that would have notified its approval to the AMF under the Prospectus Regulation as implemented in France and in any relevant EEA Member State. Therefore, the Notes may not be, directly or indirectly, offered or caused to be offered or sold to the public in France (*offre au public de titres financiers*) and this Information Memorandum and any other offering or marketing material or information relating to the Notes has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France in any way that would constitute, directly or indirectly, an offer to the public in France. Offers, sales and distributions have only been and shall only be made in France to qualified investors *(investisseurs qualifiés*) acting solely for their own account (*agissant pour compte propre*) and/or to providers of investment services relating to portfolio management for the account of third parties *(personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L.411 1, L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier. Prospective investors are informed that (a) this Information Memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier, any qualified investors subscribing for the Notes should be acting for their own account (*agissant pour compte propre*) and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411 1, L.411 2, L.412 1 and L.621 8 through L. 621 8 3 of the French Code monétaire et financier.

NOTICE TO JAPANESE INVESTORS

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, no Notes have been offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

NOTICE TO SINGAPOREAN INVESTORS

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except: (a) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (b) where no consideration is or will be given for the transfer; (c) where the transfer is by operation of law; (d) as specified in Section 276(7) of the SFA; or (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

NOTICE TO SWISS INVESTORS

The Offering is not a public offering in Switzerland. The Notes offered hereby may not be publicly offered, sold, or advertised, directly or indirectly, in, into, or from Switzerland. This document is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. Neither this Information Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations, and neither this Information Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes offered hereby will not be listed on the SIX Swiss Exchange Ltd. or on any other exchange or regulated trading facility in Switzerland, and, therefore, the documents relating to the Notes offered hereby, including, but not limited to, this Information Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

ITALIAN "WHITE LIST STATES"

In order to qualify as eligible to receive interest free from Italian *Imposta Sostitutiva* (Italian Substitute Tax) under Decree 239/1996, *inter alia*, non-Italian resident holders of the Notes and beneficial interest therein must be beneficial owners resident for tax purposes in, or "institutional investors" not subject to tax and established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy, as listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree 239/1996 is effective, in a country therein included (the "**White List**"). See "*Taxation—Italian Taxation—Tax Treatment of Notes—Non-Italian Resident Holders of Notes*". Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all holders of the Notes and beneficial interests therein, including ultimate beneficiaries of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. In the case of failure to comply with the requirements and procedures set forth in Decree 239/1996, an Italian Substitute Tax will apply on any payment made in respect of the Notes to a non-Italian resident holder of the Notes, at a rate of 26.0% or the rate applicable pro tempore under Decree 239/1996 (possibly reducible under double taxation treaties entered into by Italy, where applicable). As of 1 July 2023, the White List includes the following countries:

Albania
Alderney (Channel Island)
Algeria
Andorra, Principality of
Czech Republic
Denmark
Ecuador
Egypt
Liechtenstein
Lithuania
Luxembourg
Macedonia
Singapore
Sint Maarten
Slovak Republic
Saint Kitts and Nevis

- Anguilla, The Island of
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bangladesh
- Barbados, The Island of
- Belarus
- Belgium
- Belize
- Bermuda Islands
- Bosnia and Herzegovina
- Brazil
- British Virgin Islands
- Bulgaria
- Cameroon
- Canada
- Cayman Islands
- Chile
- China
- Colombia
- Congo (Republic of Congo)
- Cook Islands
- Costa Rica
- Cote d'Ivoire
- Croatia
- Curacao
- Cyprus
- Estonia
- Ethiopia
- Faroe Islands
- Finland
- France
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Guernsey (Channel Islands)
- Herm (Channel Islands)
- Holy See (Vatican City State)
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Ireland
- Isle of Man
- Israel
- Japan
- Jersey (Channel Islands)
- Jordan
- Kazakhstan
- Kyrgyzstan
- Kuwait
- Latvia
- Lebanon
- Malaysia
- Malta
- Mauritius
- Mexico
- Moldova
- Monaco, Principality of
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Nauru, Republic of
- Netherlands
- New Zealand
- Nigeria
- Niue
- Norway
- Oman
- Pakistan
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russian Federation
- Samoa
- San Marino
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Saint Vincent and the Grenadines
- Slovenia
- South Africa
- Korea, Republic of
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States of America
- Uruguay
- Uzbekistan
- Venezuela
- Vietnam
- Zambia

You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes. The White List may change and we have no obligation to provide notice of any such change. Holders of the Notes will bear the risk of changes in the White List and should therefore inform themselves of any such changes.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS INFORMATION MEMORANDUM AND OFFERS OF NOTES GENERALLY

This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer and the Initial Purchasers represent that this Information Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer and the Initial Purchasers which would permit a public offering of any Notes or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Information Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the EEA (including the Republic of Italy and France), the United Kingdom, Japan, Switzerland, Hong Kong and Singapore. See "*Subscription and Sale and Transfer and Selling Restrictions*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Consolidated Financial Statements

This Information 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 31 December 2022, including comparative figures as of and for the year ended 31 December 2021 (the "**2022 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 Information 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 31 December 2021, including comparative figures as of and for the year ended 31 December 2020 (the "**2021 Consolidated Financial Statements**" and, together with the 2022 Consolidated Financial Statements, the "**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 Information Memorandum, which have been prepared in accordance with IFRS;

- an English translation of the unaudited consolidated figures presented in the TIM Group's periodic financial information as of and for the three months ended 31 March 2023, including comparative figures as of and for the three months ended 31 March 2022 (the "**Q1 2023 Consolidated Financial Information**"), which have been prepared in compliance with the accounting standards, the recording and measurement criteria and the consolidation methods and criteria adopted to prepare the 2022 Consolidated Financial Statements. The Audited Consolidated Financial Statements and the Q1 2023 Consolidated Financial Information are collectively referred to as the "**Consolidated Financial Statements**".

The financial information presented in this Information Memorandum (i) as of and for the year ended 31 December 2020, has been extracted from the 2021 Consolidated Financial Statements; and (ii) as of and for the three months ended 31 March 2022, has been extracted from the Q1 2023 Consolidated Financial Information.

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

Factors Impacting Comparability

In the year ended 31 December 2022, 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 1 January 2022. For further information on the new standards and interpretations endorsed by the EU applicable to the years ended 31 December 2022 and 2021, see Note 2 to the Audited Consolidated Financial Statements.

During the fourth quarter of 2021, the TIM Group 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. In connection with the foregoing, the economic data of the first, second and third quarters of 2021, has been recalculated. For further details, see Note 2 to the 2021 Consolidated Financial Statements.

On 1 January 2019, IFRS 16 (Leases) ("**IFRS 16**") became effective and was adopted by the TIM Group with the modified retrospective method (without the restatement of comparative financial information of previous years), fully replacing IAS 17 (Leases). 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. The application of IFRS 16 determines lower operating costs and higher amortisation/depreciation and financial charges in comparison with IAS 17 which required the recognition of operating costs for non-financial leases. Further details are provided in the Note 2 the Audited Consolidated Financial Statements. See also *"—Presentation of Non-IFRS Measures—Alternative Performance Measures after lease*" below.

LTM Financial Information

The TIM Group presents certain unaudited financial information on a consolidated basis for the twelve months ended 31 March 2023 (the "**LTM Financial Information**"). Except as otherwise stated, the LTM Financial Information is derived by adding the historical results of the TIM Group for the three months ended 31 March 2023 to the historical results of the TIM Group for the year ended 31 December 2022 and deducting the historical results for the three months ended 31 March 2022.

The LTM Financial Information has not been audited or reviewed by the TIM Group's independent auditors, has been presented for illustrative purposes only and is not necessarily representative of the TIM Group's results of operations for any future period or the TIM Group's financial condition at any future date. Except as stated otherwise, the LTM Financial Information is not prepared in the ordinary course of the Issuer's financial reporting and is not required by or presented in accordance with IFRS or any other generally accepted accounting principles.

Presentation of Non-IFRS Measures

In this Information 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 believe 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 Information 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 our operating performance; (ii) cash flows provided by operating, investing and financing activities as a measure of our ability to meet our 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 our 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 Information Memorandum, may not be calculated in the same manner as similar measures are calculated pursuant to the Trust Deed governing the Notes as described under "Conditions of the Notes" or for the purposes of any of TIM Group's other indebtedness.

The Alternative Performance Measures presented in this Information Memorandum are:

- ***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 "*Summary Consolidated Financial and Other Information*" and the relevant footnotes thereto.

Key Performance Indicators (KPIs)

In this Information 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 Information 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 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 Information 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 Information 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 customers or subscribers of a specific service divided by the total number of customers. 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.

Business Segments

The TIM Group operates its business through a vertically integrated model, which comprises 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 2022 Consolidated Financial Statements and Notes 1 and 38 to the 2021 Consolidated Financial Statements.

As of the date of this Information Memorandum, the TIM Group is in the process of delayering its business segments with the objective of separating its fixed-line network infrastructural assets and shifting from its existing vertically integrated business model. See "*Summary—The TIM Group's Strategy*" and "*Summary—Recent Developments—Potential NetCo Separation*".

Exchange Rates

Certain financial information contained in this Information Memorandum has been translated from BRL into Euro solely for the convenience of investors. The TIM Group does not make any representation that any amount translated in the Information Memorandum has been, or could be, converted into Euro at the rates indicated or any other rate.

Rounding

Certain figures and percentages included in this Information 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.

Industry and Market Data

In this Information Memorandum, the Issuer relies on and refers to information regarding its business and the markets in which it operates and compete. The Issuer has made statements in this Information Memorandum regarding the economy, the telecommunications industry, the TIM Group's position in the industry, its 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.

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 believe that information in this Information 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 we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this Information 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. We have 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 our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Information Memorandum or for the accuracy of third-party data on which our estimates are based. This Information 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 Information Memorandum for which no third-party source is given, regarding our market position relative to our 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 our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the market in which we compete, as well as information published by our competitors. As some of the foregoing information was compiled or provided by our 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.

We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry in which we operate and our position within it. Our estimates have not been verified externally. While we assume that our market observations are reliable, we give no warranty for the accuracy of our estimates and their information. They may differ from our competitors' estimates or other independent sources. While we are 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 Information Memorandum.

Trademarks And Trade Names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. We assert, to the fullest extent under applicable law, our rights to our trademarks and trade names. Each trademark, trade name or service mark of any other company appearing in this Information Memorandum is the property of its respective holder.

STABILISATION

In connection with the issue of the Notes, Goldman Sachs International, acting as stabilisation manager (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws, regulations and rules.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Information Memorandum regarding the TIM 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 strategy and the TIM Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new services; the TIM 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 Information Memorandum includes forward-looking statements relating to the TIM 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 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 our heavily regulated industry, and regulatory decisions or changes in the regulatory environment that affect us;

- our ability to successfully implement our strategic objectives and factors beyond our control which may prevent us from successfully implementing our strategy;

- challenging market conditions resulting from increased competition;

- complexities in relation to separation of NetCo segment;

- difficulties responding to new telecommunication technologies;

- consumer churn or the threat of consumer churn;

- restrictions on customer access to mobile phone financing;

- credit risk with respect to our customers;

- increasing data security restrictions;

- dependence on third parties for data centres and cloud computing platforms;

- outsourcing risk;

- enhanced competition from changes in competitive offerings for content;

- enhanced competition from development of alternative networks;

- our ability to successfully implement our Internet and broadband/4.5G/5G Next Generation Mobile Networks strategy, ICT strategy, UBB fixed access network strategy; and strategy to address digital divide;

- our ability to successfully upgrade our networks;

- our ability to perform in case of unpredictable instant increase of traffic;

- cybersecurity risks;

- potential future strategic transactions, such as acquisitions, investments or dispositions, and the integration of such entities;

- goodwill impairment in relation to acquired businesses;

- potential intellectual property rights litigation risk;

- complexities of our governance structure;

- our ability to successfully meet Environmental, Social and Governance requirements;

- our ability to recruit, retain and engage skilled employees;

- our operations in multiple jurisdictions exposing us to variety of macroeconomic factors;

- potential exchange rate fluctuations and interest rate risk;

- ongoing military action between Russia and Ukraine and the resulting geopolitical uncertainty and rapidly changing international environment and sanctions;

- potential slowdowns in economic growth of Italy and slowdowns in Italy's employment rate as a result of inflationary pressure and rising input and borrowing costs;

- potential downturn in economic conditions in Brazil and political risks;

- the impact of the COVID-19 pandemic or other unexpected and uncertain events;

- the impact of consolidation in the Brazilian telecommunication market;

- the impact of Italian Golden Power Authority exercising its significant power on us;

- the impact of increased regulatory risk as a result of being classified as an economic group with significant market power by Anatel in Brazil;

- changing requirements of government authorizations to carry out our activities;

- the impact of non-compliance with data protection laws

- changing EU regulation of the levels of roaming charges;

- actual or perceived health risks or other problems relating to mobile handsets or transmission masts;

- potential fraud risks, and adequacy of our organizational policies and procedures to prevent frauds;

- potential litigation risk;

- our ability to successfully protect our image, reputation and brand;

- potential loss caused to our customers by use of Internet;
- potential risk of labour disputes; and
- other risks related to the Offering.

Prospective investors are cautioned not to place undue reliance on these forward-looking statements. Neither the Issuer nor the TIM 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 Information 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*" and "*Business of the TIM Group*".

All subsequent written or oral forward-looking statements attributable to the Issuer, the TIM Group or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Information 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.

CERTAIN DEFINED TERMS

In this Information Memorandum, the terms “we”, “our”, “our company”, and “us” may refer, as the context requires, to TIM or collectively to the TIM Group, unless otherwise stated or the context otherwise requires. For explanations or definitions of certain technical terms relating to our business as used herein, please see “*Appendix A (Glossary)*” included elsewhere in this Information Memorandum.

Capitalised terms which are used but not defined in any particular section of this Information Memorandum will have the meaning attributed to them in the section entitled “*Conditions of the Notes*” or any other section of this Information Memorandum.

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

“**2021 Consolidated Financial Statements**” has the meaning ascribed to it in “*Presentation of Financial and Other Information*”;

“**2022 Consolidated Financial Statements**” has the meaning ascribed to it in “*Presentation of Financial and Other Information*”;

“**Audited Consolidated Financial Statements**” means the 2021 Consolidated Financial Statements and the 2022 Consolidated Financial Statements;

“**Bankruptcy Law**” means Italian Royal Decree number 267 of 16 March 1942, as subsequently amended and restated;

“**Clearstream, Luxembourg**” means Clearstream Banking S.A.;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**CONSOB**” means the *Commissione Nazionale per la Società e la Borsa* (the Italian securities exchange commission);

“**CONSOB Regulation on Intermediaries**” means CONSOB Regulation No. 20307 of 15 February 2018, as subsequently amended and/or supplemented;

“**Consolidated Financial Statements**” means, collectively, the 2021 Consolidated Financial Statements, the 2022 Consolidated Financial Statements and the Q1 2023 Consolidated Financial Information;

“**Coupons**” means, interest coupons pertaining to the Notes;

“**Decree 239/1996”** means Italian Legislative Decree No. 239 of 1 April 1996;

“**Deconsolidation**” means one or more transactions (including, without limitation, a sale, transfer, spin-off or a joint venture) pursuant to which substantially all of the assets in the NetCo perimeter (at the time of such transaction) (such assets, the “**Deconsolidated Assets**”) are sold, transferred, distributed or otherwise disposed such that the Deconsolidated Assets are no longer included in the scope of consolidation of the TIM Group from an accounting perspective;

“**Deconsolidation Deleveraging**” means, in connection with a Deconsolidation, the reduction of the indebtedness of the TIM Group resulting from, among other things (i) the use of cash on balance sheet or all or a portion of the net cash proceeds from a Deconsolidation to redeem, repurchase or repay a portion of outstanding indebtedness of the TIM Group; (ii) the consummation of one or more transactions pursuant to which certain outstanding indebtedness of the TIM Group is no longer included in the scope of consolidation of the TIM Group; and/or (iii) the assumption by one or more unconsolidated third parties of certain outstanding indebtedness of the TIM Group;

“**Delayering Plan**” has the meaning ascribed to it in “*Summary—The TIM Group’s Strategy—Delayering Plan*”;

“**distributor**” means any person subsequently offering, selling or recommending the Notes;

"**EEA**" means the European Economic Area;

"**EIB Loans**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**EMTN Programme**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**EMTNs**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**Euroclear**" means Euroclear Bank SA/NV;

"**European Union**" or "**EU**" means the European Union;

"**Extraordinary Resolution"** has the meaning ascribed to it in the Trust Deed;

"**Exchange**" means the Luxembourg Stock Exchange;

"**Existing Debt Documents**" means the principal debt documents governing the EIB Loans, the EMTNs, the Existing Notes, the FiberCop Term Loan, the Revolving Credit Facility, the Term Loans, the TIC Bonds, the TIF Bonds, the TIM S.A. Loans and the TIM S.A. Bonds, each as further described in "*Description of Certain Other Financing Arrangements*";

"**Existing Notes**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**FiberCop Term Loan**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**Financial Promotion Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;

"**FSMA**" means the UK Financial Services and Markets Act 2000, as amended;

"**Global Notes**" means, collectively, the Temporary Global Note and the Permanent Global Note;

"**Golden Power Legislation**" means Law Decree No. 21 of 15 March 2012, as converted into law by Law No. 56 of 11 May 2012, further amended by, among others, Law Decree No. 105 of 21 September 2019, Law Decree No. 23 of 8 April 2020 and Law Decree No. 21 of 21 March 2022, and implemented through specific decrees, including Presidential Decrees No. 35 of 19 February 2014 and No. 86 of 25 March 2014, and Prime Minister Decrees No. 108 of 6 June 2014, No. 179 of 18 December 2020, No. 180 of 23 December 2020 and No. 133 of 1 August 2022;

"**IAS**" means the International Accounting Standards;

"**IFRS**" means International Financial Reporting Standards as adopted by the EU;

"***Imposta Sostitutiva***" or "**Italian Substitute Tax**" means the *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree 239/1996, or any related implementing regulations, or successors thereto;

"**Initial Purchasers**" means, Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Goldman Sachs International, J.P. Morgan SE, Société Générale and UniCredit Bank AG;

"**INWIT**" means Infrastrutture Wireless Italiane S.p.A.;

"**Issue Date**" means 20 July 2023;

"**Issuer**" or "**TIM**" means TIM S.p.A. (or Telecom Italia S.p.A.), a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy;

"**Issuers' Regulation**" means the CONSOB Regulation No. 11971 of 14 May 1999, as amended;

"**Italian Civil Code**" means the Italian Civil Code ("*codice civile*"), enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and/or supplemented;

"**Italian Golden Power Authority**" means the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*);

"**Italian Resident Noteholder**" means an Italian resident beneficial owner of the Notes;

"**Member State**" means a member state of the European Union;

"**MiFID II**" means Directive 2014/65/EU, as amended;

"**Noteholder**" means the registered holder of the Notes;

"**Notes**" means the €750,000,000 aggregate principal amount of 7.875 per cent. Notes due 31 July 2028 offered hereby;

"**Offering**" means the offering of Notes hereby;

"**PRIIPs Regulation**" means Regulation (EU) No 1286/2014, as amended;

"**Principal Paying Agent**" means Citibank, N.A., London Branch;

"**Prospectus Regulation**" refers to Regulation (EU) 2017/1129, as subsequently amended and supplemented;

"**Q1 2023 Consolidated Financial Information**" has the meaning ascribed to it in "*Presentation of Financial and Other Information*";

"**Regulation S**" means Regulation S under the U.S. Securities Act;

"**Revolving Credit Facility**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**SEC**" means the U.S. Securities and Exchange Commission;

"**Stabilisation Manager**" means Goldman Sachs International;

"**Tender Offer**" has the meaning ascribed to it in "*Summary—Tender Offer*";

"**Term Loan Agreements**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**Term Loans**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TIC Bonds**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TIF Bonds**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TIM Group**" means the Issuer and its consolidated subsidiaries;

"**TIM S.A. Bonds**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TIM S.A. Loan Agreements**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TIM S.A. Loans**" has the meaning ascribed to it in "*Description of Certain Other Financing Arrangements*";

"**TLC**" means telecommunications;

"**Transactions**" has the meaning ascribed to it in "*Summary—The Transactions*";

"**Transformation Plan**" has the meaning ascribed to it in "*Summary—Strategy of the TIM Group—Transformation Plan*";

"**Trustee**" means GLAS Trustees Limited, in its capacity as trustee under the Trust Deed;

"**Trust Deed**" means the trust deed, to be dated as of the Issue Date, among, *inter alios*, the Issuer and the Trustee, governing the Notes;

"**U.S.**" or "**United States**" means the United States of America;

"**U.S. Exchange Act**" means U.S. Securities Exchange Act of 1934, as amended;

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**UK**" means the United Kingdom of Great Britain and Northern Ireland;

"**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of retained EU law in the UK by virtue of the European Union (Withdrawal) Act 2018;

"**White List**" means, pursuant to Italian law, the list of countries which allow for a satisfactory exchange of information with Italy, as identified in the Italian Ministerial Decree of 4 September 1996, as amended and supplemented from time to time, or, as from the tax year in which the Italian Ministerial Decree to be issued as per Article 11, par. 4 lett. c), of Decree 239/1996 is effective, the list of countries therein included.

SUMMARY

This summary highlights selected information about the TIM Group and the Offering. This summary is not complete and does not contain all the information an investor should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Information Memorandum, including the Consolidated Financial Statements. The TIM Group has estimated certain information in this Information Memorandum regarding market share and its position relative to our competitors based on its internal data and certain extrapolations from third-party sources. See "Market and Industry Data". Unless otherwise indicated, references to market share are based on the number of subscribers. See "Forward-Looking Statements" and "Market and Industry Data".

You should read carefully the entire Information Memorandum to understand the TIM Group's business, the nature and terms of the Notes and the tax and other considerations, which are important to your decision to invest in the Notes, including the risks discussed under the captions "Risk Factors" and "Forward Looking Statements".

Overview

TIM S.p.A. or Telecom Italia S.p.A. ("**TIM**"), together with its direct and indirect consolidated subsidiaries, (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. The TIM Group provides 30.2 million mobile lines (including both "human" SIM and Machine to Machine ("**M2M**")) and 15.7 million fixed line broadband accesses (including both retail and wholesale accesses, of which 10.7 million are ultrabroadband lines) in Italy and 61.7 million mobiles lines in Brazil, each as of 31 March 2023.

History

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

On 18 July 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 12 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 21 May 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 4 August 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A."

On 30 June 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. In 2003, it launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer the new technology. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry.

TIM Group Operations

The TIM Group currently operates its business through a vertically integrated model, which 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 "*Business of the TIM Group—TIM Group Business Units*" for further information.

Italy

In Italy, the TIM Group offers full-service solutions (including broadband, pay-TV, landline voice and mobile) using primarily its own fixed-line and mobile infrastructure. As of 31 December 2022, the TIM Group holds a leading position in Italy across both the fixed broadband and mobile (total SIM) markets, with market shares of approximately 40% and approximately 28%, respectively by number of lines (Source: AGCOM (Communication market monitoring system no. 1/2023)). As of 31 March 2022, TIM's 4G mobile network covers over 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to 10 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 its attention on its ongoing investments in its 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 31 March 2023, the TIM Group provided approximately 15.7 million fixed line broadband accesses (including both retail and wholesale accesses). Further, as of 31 March 2023, the TIM Group also provides approximately 30.2 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group 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.

The TIM Group is an infrastructure-based ICT in Italy, managing 16 data centres in 8 cities (within 50,000 sqm, of 100MW) to guarantee the maximum levels of operation, security and energy efficiency.

Additionally, the TIM Group is in the process of upgrading its access network from copper to fiber, to reduce its operational costs and reducing its capital expenditure requirements.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated 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 Council of Minsters on 28 February 2022, aimed at assuring, through to 31 December 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 8 April 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, with 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 31 March 2023, the TIM Group held 24.6% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of 31 March 2023, the TIM Group provides 61.7 million mobile lines in Brazil, and its mobile network covers areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Movel 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 expects that, with the acquisition of Oi, it will become the number one player among Brazilian competitors in terms of cities covered, population served and spectrum per client, and its Brazilian market share, as of 31 December 2021, will increase from approximately 20% (pre Oi acquisition) to approximately 27% (with market share, as of 31 December 2021, in parts of Brazil increasing from 13.1%, 23.3%, 11.2%, 18.2% and 31.5% to 21.2%, 26.5%, 26.8%, 25%, 36.8%, respectively). The TIM Group is in the process of consolidating entities acquired as a part of the Oi acquisition with the TIM Group. Prior to the acquisition, Oi and the TIM Group operated under a memorandum of understanding since 2012 in relation to joint use of 4G networks under a radio access network sharing model.

Key Strengths

TIM believes that it benefits from the following key strengths:

The TIM Group is a leading player in the Italian telecommunications market, which 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, mobile and wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, further accelerated by the entrance of Iliad, the mobile and fixed 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 TIM Group competes in the underpenetrated Italian broadband market, where it sees considerable room for growth. Due to the lack of cable infrastructure and difficult morphology, only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of 31 December 2022 (Source: "Digital Economy and Society Index 2022" – European Commission). This has resulted in FTTC connections, with average distance between cabinets and premises among the shortest in Europe ensuring high connection speeds, remaining resilient and highly cash generative in the Italian market, also in light of the limited alternatives available. As a result of this, the FTTH market in Italy also remains underpenetrated, at 13% as compared to an average of 35% across the European Union as of 30 September 2022 (Source: FTTH Council, April 2023).

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, such as remote working, home schooling, and greater adoption of virtual social interactions.

In the enterprise segment (which mainly focuses on large corporates and public administration), relevant drivers for data traffic growth include cloud, 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, fixed and mobile data traffic has almost doubled and tripled, respectively, in the three years preceding the year ended 31 December 2022.

The TIM Group also competes in the IT services, which has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended 31 December 2022, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.1 billion (representing approximately 36% of the spending in the total market) spent on IoT; (ii) approximately €4.1 billion (representing approximately 66% of the spending in the total market) spent on cloud services; (iii) approximately €0.8 billion (representing approximately 45% of the spending in the total market) spent on advanced connectivity services; (iv) approximately €1.4 billion (representing approximately 63% of the spending in the total market) spent on security services; (v) approximately €2 billion (representing approximately 45% of the spending in the total market) spent on traditional connectivity services; and (vi) approximately €10.6 billion (representing approximately 79% of the spending in the total market) spent on other

IT services. 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 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 favour local players, thus allowing it 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 2025), (ii) cloud services (which is expected to grow by a CAGR of approximately 16% between 2022 and 2025), (iii) advanced connectivity services (which is expected to grow by a CAGR of approximately 18% between 2022 and 2025) and (iv) security (which is expected to grow by a CAGR of approximately 8% between 2022 and 2025), which is offset by reduction in spending on traditional connectivity services (which is expected to reduce by a CAGR of approximately 8% between 2022 and 2025) and other IT services (which is expected to reduce by a CAGR of approximately 4% between 2022 and 2025).

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 assigned 7 lots under the "Italia 1 Giga" initiatives (representing approximately 1.2 million technical households), all available lots under the "5G backhauling" initiative (representing over 11,000 mobiles sites) and "5G densification" initiative (representing over 1,200 mobile sites), 2 lots under the "connected healthcare" initiative (representing approximately 3,100 healthcare facilities) and 4 lots under the "connected schools" initiative (representing approximately 5,900 schools).

The TIM Group holds a resilient incumbent position and leading market share in Italy in its fixed, mobile and enterprise segments.

The TIM Group is the incumbent telecommunications operator in Italy with a highly resilient business model partly due to its ability to offer full-service solutions (including broadband, pay-TV, landline voice and mobile) using primarily its own fixed line and mobile infrastructure.

The TIM Group benefits from a leading position across the fixed retail Italian market (including voice and fixed broadband) with a 40% market share as compared to 16.8%, 14.4%, 14.3% and 4.5% for the next four competitors and 10% for the remaining players, as of 31 December 2022. In the mobile market in Italy (including mobile voice and mobile broadband, and including both "human" SIM and M2M), the TIM Group benefits from a 28.4% market share as compared to 27.5%, 24.2%, 8.9% and 4.2% for the next four competitors and 6.8% for the remaining players, as of 31 December 2022 (Source: AGCOM Communication market monitoring system no. 1/2023). The TIM Group's service offering is best in class 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 infrastructure-based ICT player in Italy and benefits from a leading position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment through the Domestic Business Unit. The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 10,000 customers. Moreover, the TIM Group holds 40% 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 machine-to-machine 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 10% 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 market share of approximately 50% with respect to connectivity services and 15% with respect to IT services in Italy as of 31 March 2023. 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 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 telecom 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 TIM 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 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, infrastructure and know-how comprising its extensive and reliable fixed and 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 telecom sector in Italy, with a brand awareness of 52% and a top-of-mind, from June 2022 to 19 April 2023, at 31% among a consumer target population representative of the broader Italian population according to MPS Research – TLC ADV tracking MPS – weekly Report. The TIM Group’s leading market positions in Italy in mobile, fixed and wholesale further underscores the strength of its brands among Italian consumers. The TIM Group is also well-advertised throughout Italy, acting as the title sponsor for Lega Serie A as well as a sponsor for the popular music events in Italy, partnering with key testimonial and opinion leaders as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to remain relevant for different target groups, across different 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 able to leverage its extensive and reliable infrastructure and asset base 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.

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. In particular, as of 31 March 2023, the TIM Group has provided approximately 15.7 million fixed line broadband accesses (including both retail and wholesale accesses). TIM’s FTTx coverage was over 95% on active lines. The TIM Group is also progressing the upgrade of the access network from copper to full-fiber. The shift from copper to fiber is expected to reduce operational costs and result in slowing capital expenditure requirements.

TIM Enterprise is 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 centres, of which 7 are “tier four”, as of 31 March 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 Domestic Business Unit 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. These improvements reflect the TIM Group's focus on better services and the shift to a more digital customer service model. The quality of its customer service both in its physical locations and through its online presence has improved customer satisfaction. Specifically, it benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top 10 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 fixed and mobile infrastructure are further strengthened by ongoing future-proofing investment program.

As of 31 March 2023, the TIM Group benefits from more than 79% market share in the overall fixed services market, retail and wholesale, and its FTTH coverage was approximately 33% of technical units covered as of 31 March 2023.

Moreover, 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 462 municipalities as of 31 March 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 30.2 million mobile lines (including both "human" SIM and M2M) in Italy as of 31 March 2023. TIM 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 in the spread of videos and gaming experience. Moreover, as of 31 December 2022, the TIM Group's 4G network covered over 99% of the national population, the highest in Italy. The TIM Group's 4G network covered approximately 99% of the national population for the years 2018 to 2021, over 98% of the national population in 2017, over 96% of the national population in 2016 and 88% of the national population in 2015. As such, the TIM Group believes that it is well positioned to satisfy the market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation fixed and mobile 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. The TIM Group intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage by 2025, from approximately 33% as of 31 March 2023 and approximately 25% as of 31 December 2021.

The TIM Group also intends to continue to update and expand its mobile network, which it expects to significantly expand 5G coverage to around 90% of the Italian population by 2025 in line with its 5G 700MHz 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 700MHz, 1x80MHz in 3.7GHz and 1x200MHz in 26GHz), further consolidating its leadership 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 (800MHz, 1800MHz, etc.) 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 network for its customers. The TIM Group believes that the growth in data traffic will increase utilization of its fiber 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 Italia 1Giga, 5G backhauling, 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 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 251 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 45.7 million fixed lines, as of 31 March 2023 (source ANATEL). 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 31 March 2023, the Brazil Business Unit had approximately a 24.6% 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 with an EBITDA margin of approximately 45% and an operating cash flow margin of approximately 23%, in each case as of 31 March 2023. As of 31 December 2022, the Brazil Business Unit had an EBITDA margin of 47%, in comparison to 47%, 40%, 40%, 39% and 36% EBITDA margins of its five principal competitors, and an operating cash flow margin (calculated as ratio of EBITDA less capex to revenue) of 26%, in comparison to the 22%, 22%, 22%, 20% and 3% operating cash flow margins of its five principal competitors.

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, 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 38% for the year ended 31 December 2022; slightly better than comparable European peers with an average Organic EBITDA margin of approximately 36%.

The TIM Group generated Organic EBITDA-AL of €1,189 million in the three months ended 31 March 2023. See "*Summary Consolidated Financial and Other Information*". Moreover, the Domestic Business Unit, which contributed approximately 73.3% to the TIM Group's Organic EBITDA-AL in the three months ended 31 March 2023, benefits 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 its Transformation Plan as well as a prudent capital expenditure policy. Specifically, the TIM Group's Transformation Plan includes long-term targets regarding savings on labour and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labour 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 three months ended 31 January 2023, in comparison to 1.1%, 1.1%, 1.0% and 1.1% for the three months ended 31 January 2022, 30 June 2022, 30 September 2022, and 31 December 2022, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.2% for the three months ended

31 January 2023, in comparison to 1.2%, 1.1%, 1.0% and 1.1% for the three months ended 31 January 2022, 30 June 2022, 30 September 2022, and 31 December 2022, respectively. Additionally, for the three months ended 31 March 2023, compared to the three months ended 31 March 2022, our net adds improved and consumer fixed ARPU (net of activation fee) increased by 1.4%.

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 1 January 2023. 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 31 December 2023 on a full-year run rate basis, in comparison to year ended 31 December 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.

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 in November 2021 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 31 December 2016, to a market leader with an EBITDA margin of 46% margin for the year ended 31 December 2022. The TIM Group's senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy & Business Development Officer, Elio Schiavo as Chief Enterprise & Innovative Solutions Officer, Andrea Rossini as Chief Consumer, Small & Medium Market Officer and Elisabetta Romano as Chief Network Operations & Wholesale Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience.

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 and 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 Delayering Plan discussed under "*—The TIM Group's Strategy—Delayering Plan*". The TIM Group's management has also enacted the Transformation Plan with ambitious cost-cutting targets, and for the three months ended 31 March 2023, management has achieved €200 million of savings. See "*—The TIM Group's Strategy—Transformation Plan*" for more details.

The TIM Group's Strategy

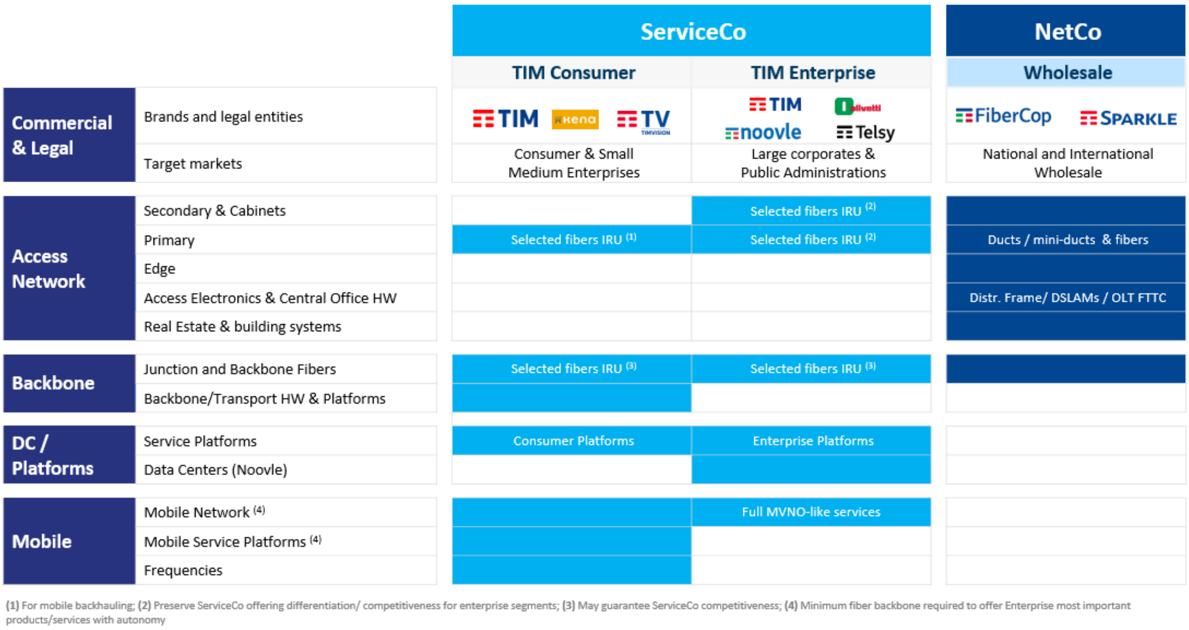
Delayering Plan

As of the date of this Information Memorandum, the TIM Group is in the process of reorganizing its business segments with the objective of separating its fixed-line network infrastructural assets and shifting from its existing vertically integrated business model to a new horizontal structure comprised of four business segments: TIM Enterprise, TIM Consumer, TIM Brasil and NetCo, each of which are described below (the "**Delayering Plan**"). The Delayering Plan was conceptually approved by the board of directors of TIM (the "**Board**") on 3 March 2022 and, on 6 July 2022, the Board approved the formulated plan (the "**2022-2024 Industrial Plan**"). On 14 February 2023, the Board approved the continuation of the Delayering Plan for 2023-2025 (the "**2023-2025 Industrial Plan**"). The process for setting up the legal entities to give effect to the reorganization was set into motion on 9 November 2022. However, in the Consolidated Financial Statements and in this Information Memorandum, the TIM Group presents its financial and operating information per the business units and segments in the manner described under "*Business of the TIM Group—TIM Group Business Units*". See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Segments*" for more details.

The TIM Group operates in a highly regulated and competitive market. The four proposed business segments operate in distinct markets and face different competitive dynamics and business trends, each with their specific industrial focus and economics. Reorganizing the TIM Group around these four business segments is intended to allow each segment to pursue its own focused strategy. Such organizational change allows management to focus on clear and business specific KPIs to measure success in order to facilitate efficient management and improved capital allocation. The main purpose of the delayering strategy is "industrial", which translates into unlocking growth and achieving better operational results while also focusing on efficiencies and funding the investments that will shorten the path to sustainable cash generation. It is intended to increase value in the medium to long term, the valorization of long-term assets and debt sustainability.

The separation of NetCo under the Delayering Plan is expected to create a network company with improved accountability within a dedicated infrastructure perimeter, thereby making it easier for NetCo to enter into partnerships. Further, any potential Deconsolidation of NetCo is expected to lead to an improved regulatory environment for TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with wholesale-only entrants (Art. 80 EU European Electronic Communications Code) to the market. It will also promote investment in fiber and migration from, and decommissioning of, the prior infrastructure. The Delayering Plan also opens up several strategic options in order to: (i) achieve substantial deleveraging aimed at achieving a long-term sustainable capital structure; (ii) potentially capture in-market consolidations to accelerate growth and strategy implementation; (iii) improve capital allocation and reduce overbuild; (iv) improve risk profile and return on capital; (v) achieve better visibility on group assets, making it attractive for private capital; and (vi) retain financial flexibility.

The following chart presents the main business segments of the TIM Group in Italy following the implementation of the Delayering Plan:



		ServiceCo		NetCo
		TIM Consumer	TIM Enterprise	Wholesale
Commercial & Legal	Brands and legal entities	TIM Kena TV TIMVISION	TIM Olivetti noovle Telsy	FiberCop SPARKLE
	Target markets	Consumer & Small Medium Enterprises	Large corporates & Public Administrations	National and International Wholesale
Access Network	Secondary & Cabinets		Selected fibers IRU [2]	■
	Primary	Selected fibers IRU [1]	Selected fibers IRU [2]	Ducts / mini-ducts & fibers
	Edge			■
	Access Electronics & Central Office HW			Distr. Frame/ DSLAMs / OLT FTTC
	Real Estate & building systems			■
Backbone	Junction and Backbone Fibers	Selected fibers IRU [3]	Selected fibers IRU [3]	■
	Backbone/Transport HW & Platforms	■		
DC / Platforms	Service Platforms	Consumer Platforms	Enterprise Platforms	
	Data Centers (Noovle)		■	
Mobile	Mobile Network [4]	■	Full MVNO-like services	
	Mobile Service Platforms [4]	■		
	Frequencies	■		

(1) For mobile backhauling; (2) Preserve ServiceCo offering differentiation/ competitiveness for enterprise segments; (3) May guarantee ServiceCo competitiveness; (4) Minimum fiber backbone required to offer Enterprise most important products/services with autonomy

Following implementation of the Delayering Plan, ServiceCo is expected to provide the following services to NetCo: (i) services to implement wholesale services requiring IP transport, until such time as NetCo builds its own backbone; (ii) usage of patents, telephony, internet and computers, at the start-up stage; and (iii) management of IT/OSS assigned to ServiceCo for the interim period. Additionally, NetCo is expected to provide the following services to ServiceCo: (i) access services needed to implement retail services (ISO-CSP service purchase, ADSL via interconnection to DSLAM, UBB via VULA purchase over FTTx networks (VULA C, VULA H), business fiber connections or backhauling of SRBs through access fiber purchase beyond those in IRU at carve out); (ii) space occupancy and energy for industrial and office and commercial use; (iii) operation and maintenance on ServiceCo owned network components; (iv) installation and configuration of equipment and assurance activities; and (v) management of shared IT Systems and platforms assigned to NetCo.

ServiceCo: TIM Enterprise, TIM Consumer and TIM Brasil

The ServiceCo segment will comprise the TIM Group's service businesses in Italy (TIM Enterprise, at a business-to-business level, and TIM Consumer, at a business-to-consumer or retail level) and TIM Brasil. The clear separation from the NetCo segment under the Delayering Plan will facilitate strategic flexibility and any potential Deconsolidation of NetCo is expected to be key to an improved regulatory environment for the TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with wholesale-only entrants to the market and with reduced limitations under applicable competition laws. Moreover, the ServiceCo segment may also benefit from potential upsides, such as in-market consolidation if this were to materialize.

(i) TIM Enterprise

The TIM Enterprise business unit will be an infrastructure-based ICT player in Italy and will benefit from a leading position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment through the Domestic Business Unit, providing the following end-to-end ICT offerings:

- *Managed and professional services*: Accounting for 30-40% marginality observed in the market (calculated as revenues less direct costs, including operating expenditure contribution, "**Marginality**"), 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*: Accounting for 40-50% Marginality, this will include cloud solutions for modern workplace, customer experience, modern applications, digital marketplaces and trusted services. It will also include security solutions (25-35% Marginality) for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT vertical solutions (25-35% Marginality).

- *Cloud infrastructure*: Accounting for 20-40% Marginality, this will include TIM Cloud, Google Cloud, Edge Cloud and third-party cloud.

- *Data center and Edge*: Accounting for 20-40% Marginality, this will include offerings 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 market; and providing 2G, 4G, 5G, human and M2M, devise and technical assistance offering and 5G private network offerings in the mobile market.

The TIM Enterprise business unit will be one of the leading ICT providers for large enterprises, serving approximately 10,000 customers. Moreover, the TIM Enterprise business unit will hold the TIM Group's 40% 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 machine-to-machine 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 unit will also benefit from approximately 10% 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 unit will also be a leader and will have a unique position in the provision of services for public administration, with approximately 25,000 clients and a market share of approximately 50% with respect to connectivity services and 15% with respect to IT services in Italy as of 31 March 2023. 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 unit will be 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 telecom 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 unit 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 connect network, (iii) 16 directly owned data centres, of which 7 are "tier four", as of 31 March 2023; and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of our top 10 clients of more than 20 years, as of 31 March 2023); (ii) an unparalleled asset base with 16 proprietary data centres; (iii) a proprietary backbone in strategic areas; and (iv) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft and VMWare makes the TIM Enterprise business unit 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, this convergence will only continue. The TIM Enterprise segment is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business unit, management is developing an integrated go-to-market approach between the historically separately managed brands the TIM Enterprise segment, 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 PA cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one-off restructuring costs and expanding its data center footprint for improved offerings. The key features of TIM Enterprise's operating model will 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 centres to develop internal IP from product management inputs;
- integrated technical practices for management of key partners' technology solutions;
- integrated managed services for infrastructures;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Enterprise business unit believes that these measures will result in higher revenues generated by the activities within this business unit, significantly increased cash conversion and optimized capex and operational costs.

(ii) TIM Consumer

The TIM Consumer business unit will be engaged in fixed and mobile commercial activities in the consumer and Small and Medium Business retail market and will benefit from the TIM Group's leadership in FTTH (Source: "Communication Markets Monitoring System" AGCOM, data as of 31 December 2022), with the TIM Group having reached approximately 1 million lines in the three months ended 31 March 2023. It operates in a competitive environment. In order to address these challenges, management is implementing a recovery strategy. The goal is to transform the TIM Consumer business unit into an agile, efficient and commercially flexible premium business with a shift in strategy, from volume to value. Delayering also enables management to take 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 business 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, improved organizational structure and capital expenditure and IT demand optimization. It 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 business aims at stabilizing the customer base by 2024 through reduced churn, with gradual ARPU increases through a "more for more" proposition, a turn-around 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. Cost optimization entails several initiatives with the ambition to reduce customer care costs by 30%, bad debt by 55% and advertising expenses by 20% compared to a 2021 baseline. This also includes right sizing the organization with a 20% FTE reduction from approximately 14,000 in 2021. See "*Forward-Looking Statements*".

These measures will form the basis for sustainable growth based on a high-quality positioning and an attractive digital service offering.

(iii) TIM Brasil

Tim Brasil aims at becoming the next generation telco 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 telecom companies in Latin America and leads its peers with a free cash flow yield of 16% for the year ended 31 December 2022. It operates 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 favourable effects after reduction of the Brazilian turnover tax ICMS from 28% to 18%.

TIM Brasil's strategy aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage and the migration of FTTC to FTTH technology. 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.

NetCo

The NetCo segment is the TIM Group's network company and comprises the national and international wholesale business and all fixed network assets, including the entire access network – the infrastructure on which Italy's digitalization can progress. It will be the sole player in primary network and an undisputed leader in secondary network, providing FTTx coverage to over 95% of active lines, benefitting from the TIM Group's 79% market share in the overall fixed services market, retail and wholesale, as of 31 March 2023. The NetCo segment also specifically includes FiberCop, which is jointly owned alongside KKR Global Infrastructure Investors III L.P. (indirectly holding 37.5% of the share capital of FiberCop) and Fastweb S.p.A. (holding 4.5% of the share capital of FiberCop), as well as TIM Sparkle, which is ranked fifth among international carriers for its IP network and is expected to further develop through a selective expansion into new geographies.

The NetCo segment will aim at leveraging growth opportunities from Italy's underpenetrated broadband and ultra-broadband connections at secondary network level as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of 31 December 2022 (Source: "Digital Economy and Society Index 2022" – European Commission). The ongoing investment program to deploy FTTH benefits from government support under the NRRP for the "Italia 1Giga" and "5G backhauling" initiatives, for which TIM is expected to receive around €2,000 million, as well as connected healthcare and connected schools initiatives. Following an FTTH investment cycle aiming at a total footprint of 12 million technical units or approximately 48% national coverage by 2025, the NetCo segment is expected to become a typical, focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers. The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements while increased take-up from the operational status of the newly deployed FTTH network is expected to further contribute to a growth in profitability. 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 1 January 2023. The NetCo segment is expected to benefit from the increase to the Italian wholesale tariffs, bringing them broadly in line with other large European markets. In this context, the TIM Group is open to considering strategic partnerships and combinations to create a single network infrastructure for the country.

Execution and Capital Structure

One of the overall objectives of the Delayering Plan is a substantial reduction in the net leverage of the TIM Group, in order to achieve a long-term sustainable capital structure mainly through the combination of several strategic options which may include Deconsolidation Deleveraging, cash proceeds from corporate transactions, such as a sale of a minority stake in TIM Enterprise and/or, if needed, opportunistically assessing options on other assets, if terms are attractive.

In particular, in line with the Delayering Plan presented to the market, the TIM Group will continue to evaluate all strategic options, with a view to identifying the best route to pursue the double objectives of overcoming vertical integration and reducing debt. Should a sale of the NetCo segment not be possible on attractive terms, the TIM Group retains flexibility to reduce leverage through other means, including through alternative transaction structures, a disposal of a minority stake in the TIM Enterprise business unit and/or the opportunistic disposal of other assets.

With debt maturities through 2024 expected to be covered by available liquidity, 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.

Any plan or transaction pursued will only be executed on terms that the TIM Group views as attractive to its bondholders and shareholders. Before committing to any transaction, the TIM Group intends to pursue a rating assessment, supporting its goal of unlocking value while targeting a solid and sustainable capital structure. Any potential transaction will build on the TIM Group's preparatory work already implemented, such as the clear definition of the perimeter of the new business units and related FTE allocations, the appointment of dedicated management teams and the preparation of dedicated business plans. However, there can be no assurance as to the terms on which a Deconsolidation will occur, if at all. Further, there can be no assurance that the TIM Group will be able to deliver any or all of the expected benefits of a Deconsolidation or the Delayering Plan. See "*Risk Factors—Risks Related to the Business Activity and Industries of the TIM Group—The separation of NetCo from the TIM Group may be complex, could cause us to incur unexpected costs and we will be required to rely on NetCo for transitional and infrastructure access services. There can be no assurance that we will be able to deliver any or all of the expected benefits of the Delayering Plan, a separation of NetCo and/or a Deconsolidation*".

Transformation Plan

In addition to the Delayering Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the "**Transformation Plan**") which targets €1,100 million of total savings by the end of 2023 (out of which approximately €700 million is expected to be operating expenditure savings and €400 million is expected to be cash cost and capital expenditure savings) and €1,500 million of total savings by the end of 2024 (out of which approximately €1,000 million is expected to be operating expenditure savings and €500 million is expected to be cash cost and capital expenditure savings), excluding the Brazil Business Unit, through the following steps:

- *Simplifying cost structure*: The TIM Group is focused on tendering on-going delivery, assurance and creation of fixed networks and plants and decommissioning of less efficient plants, including decommissioning 3G networks. The TIM Group is also focused on achieving cost savings through energy efficiencies in real estate, with asset modernization planned in more than 7,000 sites and central offices.

- *Rightsizing and talent upliftment*: The TIM Group is focused on rightsizing its labour force through enforcing policies for hourly reduction, early retirements and voluntary exits. Further, it is focused on reskilling approximately 1,200 existing employees to reduce external costs. The TIM Group is also focused on recruitment to uplift its existing talent base, and intends to recruit 400 additional employees in 2023.

- *Enhanced cost optimization*: The TIM Group intends to achieve cost optimization in customer care through, among other steps, lowering human volumes, increasing productivity, a review of our 'make vs buy' mix and near-shoring. It also intends to increase the efficiency of its sales channels, optimize RAN costs; optimize logistics through using analytics, AI and E2E process improvements.

- *Digital break-throughs*: The TIM Group intends to achieve digital break-throughs its app optimization, upgrading caring features, setting up of a fraud services center and improving eSIM request and activation process improvements.

In addition to the €300 million of savings achieved for the year ended 31 December 2022, for the three months ended 31 March 2023, management has achieved €200 million of savings, of which approximately €100 million was operating expenditure savings and €100 million was cash cost and capital expenditure savings, amounting to approximately 26% of the 2023 target. This was achieved through: (i) hourly reduction involving more than 70% employees; (ii) voluntary exits of approximately 200 employees; (iii) reskilling 300 employees; (iv) energy savings initiatives for up to 160 GWh; (v) reduction of 1,500 car-fleet; (vi) more than 10% increase in e-billing; and (vi) savings of around €30 million from lower energy consumption through 3G decommissioning.

The assumptions used in estimating total savings, including the components of such estimates, and the steps to be taken to realize such savings, in each case as presented in this "—Transformation Plan", are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive 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 these management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transformation Plan will be effective or that the savings targets presented herein will be achieved in whole or in part.

Recent Developments

Potential NetCo Separation

As a part of its Delayering Plan, and consistent with its deleveraging strategy to achieve a long-term sustainable capital structure, the TIM Group is considering the separation and sale of its NetCo business and has received offers from third party bidders. As part of the competitive bidding process, on 1 February 2023, TIM reported having received from Kohlberg Kravis Roberts & Co. L.P. ("**KKR**") a non-binding offer for the purchase of a newco being established, consisting of members of management and infrastructure assets of the fixed network, including the assets and business of FiberCop, as well as the holding in TIM Sparkle ("**NewCo**"). Thereafter, on 5 March 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 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 15 March 2023, appointed 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 18 April 2023. On 18 April 2023, TIM announced having received two new non-binding offers by the Consortium and KKR and, in its meeting on 4 May 2023, TIM's board of directors analysed 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 9 June 2023. On 9 June 2023, TIM announced that new non-binding offers were submitted by each of KKR and the Consortium. On 22 June 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 and in light of the preliminary assessment carried out by the related parties committee (which in turn was assisted by independent advisors), TIM's board of directors deemed that the offer submitted by KKR is preferable in terms of executability and timing, and higher 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 – as soon as possible, compatibly with the complexity of the transaction, and in any case by 30 September 2023 – 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. However, there can be no assurance that an offer will be accepted or that a sale of NewCo will be consummated. Further, any transaction involving the divestment of NewCo remains subject to obtaining, among other things, applicable legal authorisations (including those pertaining to the Italian Golden Power process) and antitrust authorisations.

In connection with the financial presentation shared on the TIM Group's capital markets day on 7 July 2022, management prepared estimates based on the expected NetCo business perimeter believed by management to be accurate at such time. Based on such perimeter assumptions, management estimated that: (i) NetCo generated approximately €5,300 million in organic revenues (including intercompany revenues) and approximately €2,000 million in Organic EBITDA-AL, and incurred capital expenditures (net of license and excluding the contribution from the National Recovery and Resilience Plan) of approximately €1,600 million; (ii) TIM Enterprise generated approximately €3,000 million in organic revenues (including intercompany revenues) and approximately €900 million in Organic EBITDA-AL, and incurred capital expenditures (net of license and excluding the contribution from the National Recovery and Resilience Plan) of approximately €600 million; (iii) TIM Consumer generated approximately €6,800 million in organic revenues (including intercompany revenues) and approximately €1,200 million in Organic EBITDA-AL, and incurred capital expenditures (net of license and excluding the contribution from the National Recovery and Resilience Plan) of approximately €1,100 million; and (iv) TIM Brasil generated approximately €2,800 million in organic revenues (including intercompany revenues) and approximately €1,100 million in Organic EBITDA-AL, and incurred capital expenditures (net of license and excluding the contribution from the National Recovery and Resilience Plan) of approximately €700 million, in each case for the year ended 31 December 2021.

The foregoing financial information has been prepared by management for illustrative purposes only, has not been audited or verified by any independent third party and should not be considered comprehensive or complete. While the underlying assumptions about the NetCo perimeter continue to evolve as part of the NetCo separation process, management continues to believe that the information relating to NetCo that it has previously communicated continues to present a directionally fair and accurate estimate of the NetCo business results and the overall significance of the NetCo business contribution to the financial results of the TIM Group, including in respect of subsequent periods. Further, while the accounting and consolidation principles applied to the foregoing financial information are consistent with those applied for the 2022 Consolidated Financial Statements, investors should not use such illustrative financial information in isolation or as an alternative to, or substitute for, the financial information presented in the Consolidated Financial Statements included elsewhere in this Information Memorandum. NetCo is not considered an "operating segment" in accordance with IFRS 8 (Operating segments). See Note 1 to the 2022 Consolidated Financial Statements for further information.

Issuance of Additional 2028 Euro Notes

On 12 April 2023, the Issuer issued €400 million aggregate principal amount of 6.875% senior notes due 2028 (the "**Additional 2028 Euro Notes**"), as additional notes pursuant to the 2028 Euro Notes Trust Deed. The net proceeds from the offering of the Additional 2028 Euro Notes were used for general corporate purposes, to refinance short-term debt maturities, for cash on balance sheet and to pay fees and expenses associated with the transactions. See "*Description of Certain Other Financing Arrangements—TIM Bonds—2028 Euro Notes*".

2023 EIB Loan

On 5 May 2023, the Issuer entered into a loan agreement with The European Investment Bank (the "**EIB**") pursuant to which the EIB extended a loan to the Issuer in an aggregate principal amount of €360 million (the "**2023 EIB Loan**"), the proceeds of which are expected to be used by the TIM Group to finance the expansion of its 5G network. The 2023 EIB Loans are backed by a 60% SACE Guarantee. See "*Description of Certain Other Financing Arrangements—EIB Loans*".

Tender Offer

On 11 July 2023, the Issuer launched a fixed price tender offer in respect of its 2024 3.625% Euro Notes and its 2024 4% Euro Notes (collectively, "**Tendered Notes**") (the "**Tender Offer**") that is subject to, without limitation, the settlement of the issuance of the Notes and in accordance with the other terms and conditions of the tender offer memorandum, dated the same date (the "**Tender Offer Memorandum**"). See "*Description of Certain Other Financing Arrangements—EMTN Programme".*

The Tender Offer is expected to expire on or about 18 July 2023 (the "**Expiration Date**"), unless extended, re-opened, withdrawn or terminated at the sole discretion of the Issuer, and any holders who participate and whose Tendered Notes are accepted in such Tender Offer prior to the applicable tender deadline will receive the applicable tender consideration on or about the Issue Date of the Notes offered hereby. Whether holders of the Tendered Notes are participating in the Tender Offer may be taken into account or given priority in the allocation of the Notes offered hereby by the Issuer, in its sole and absolute discretion. The proceeds or a portion of the proceeds of the Notes will be used by the Issuer to settle the Tender Offer with such settlement expected to occur on or around 20 July 2023. See "*Use of Proceeds*" and "*Capitalisation*".

Each of the Joint Global Coordinators in connection with the Offering are acting as Dealer Managers (as defined in the Tender Offer Memorandum) in connection with the Tender Offer.

The Issuer

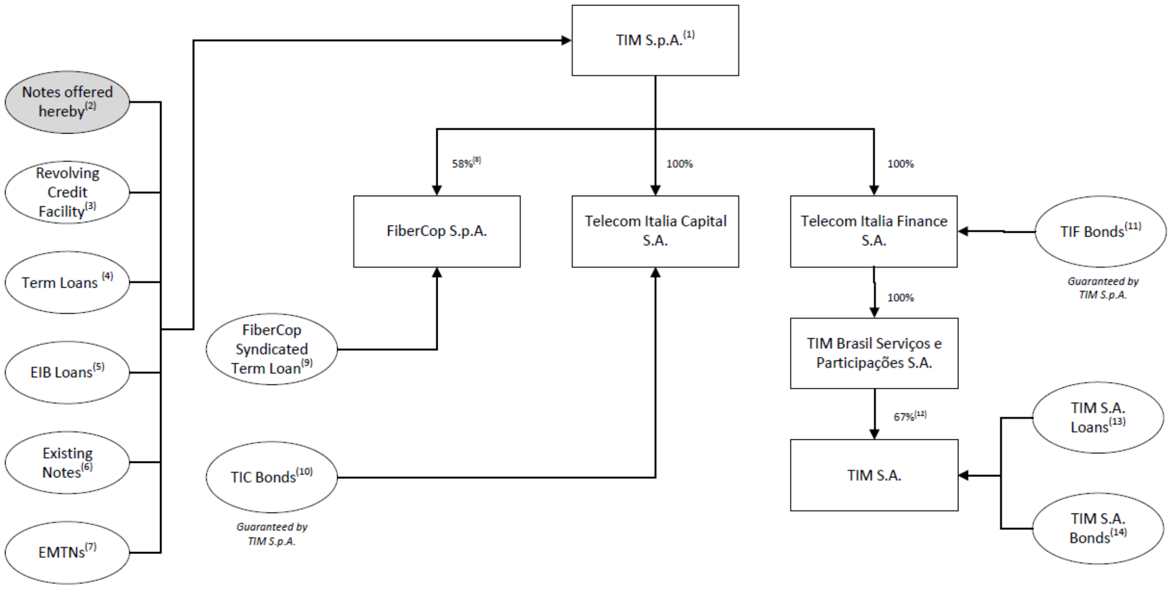
TIM S.p.A. is a joint-stock company established under Italian law as a *società per azioni*, with registered offices in Milan at Via Gaetano Negri 1.

The Transactions

On the Issue Date, the Issuer will issue the Notes, the proceeds of which are expected to be used to repay short-term debt maturities (which may include settling the Tender Offer in accordance with the Tender Offer Memorandum and in the Issuer's sole and absolute discretion), for general corporate purposes and/or to pay any fees and expenses in connection with such transactions (collectively, the "**Transactions**"). See "*Use of Proceeds*".

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our expected corporate and principal financing structure after giving effect to the Transactions. 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 Information Memorandum, including "*Capitalisation*", "*Description of Certain Other Financing Arrangements*" and "*Conditions of the Notes*".



(1) As of 31 March 2023, Vivendi S.A. and Cassa Depositi e Prestiti S.p.A. directly or indirectly hold 23.75% and 9.81%, respectively, of the outstanding share capital of the Issuer, with the remaining shares held by certain minority investors. See "*Principal Shareholders*". The shares of the Issuer are listed on the *Borsa Italiana* (Milan stock exchange). The Issuer 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. The ability of the Issuer to make payments on the Notes will depend on, among other things, the TIM Group's ability to generate sufficient cash. See "*Risks Factors—Risks Related to the TIM Group's Indebtedness*".

(2) The Notes will: (i) be 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 the Issuer; (iii) senior in right of payment to all future subordinated indebtedness of the Issuer; (iv) be effectively subordinated to all existing and future secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness; and (v) be structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of the Issuer. See "*Conditions of the Notes*" for more details. As of 31 March 2023, the TIM Group had €31,868 million of gross financial debt (including lease liabilities of €5,528 million). See "*Capitalisation*" and "*Description of Certain Other Financing Arrangements*".

(3) The Revolving Credit Facility provides for total commitments in an aggregate principal amount of €4,000 million, and, as of the date of this Information Memorandum, was fully undrawn. The obligations of the Issuer, as borrower, under the Revolving Credit Facility are unsecured and do not benefit from guarantees. See "*Description of Certain Other Financing Arrangements—TIM Group Loans—Revolving Credit Facility*" for more details.

(4) As of the date of this Information Memorandum, the aggregate principal amount of outstanding Terms Loans is €2,850 million. The obligations of the Issuer, as borrower, under the Term Loan Agreement are unsecured and are guaranteed by the Italian government treasury. See "*Description of Certain Other Financing Arrangements—TIM Group Loans—Term Loans*" for more details.

(5) As of the date of this Information Memorandum, the aggregate principal amount outstanding under the EIB Loans is €1,060 million, comprising (i) €350 million aggregate principal amount of outstanding 2019 EIB Loan; (ii) €120 million aggregate principal amount of outstanding 2021 Incremental EIB Loan; and (iii) €230 million aggregate principal amount of outstanding 2021 EIB Loan. On 5 May 2023, the European Investment Bank extended to the Issuer €360 million aggregate principal amount 2023 EIB Loan. As of the date of this Information Memorandum, the 2023 EIB Loan is entirely undrawn. The obligations of the Issuer, 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—TIM Group Loans—EIB Loans*" for more details. Under the EIB Loans, 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.

(6) As of the date of this Information Memorandum, the outstanding Existing Notes outstanding comprise (i) $1,500 million aggregate principal amount of 5.303% senior notes due 2024 (the "**2024 Dollar Notes**"); and (ii) €1,250 million aggregate principal amount of 6.875% senior notes due 2028 (the "**2028 Euro Notes**"). The Existing Notes (i) 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 the Issuer, including the Notes; (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 the Issuer 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—TIM Bonds—Existing Notes*" for more details.

(7) As of the date of this Information Memorandum, the outstanding EMTNs issued under the Issuer's EMTN Programme comprise: (i) €1,000 million aggregate principal amount of 2.500% notes due 2023 (the "**2023 Euro Notes**"); (ii) €750 million aggregate principal amount of 3.625% notes due 2024 (the "**2024 3.625% Euro Notes**"); (iii) €1,250 million aggregate principal amount of 4.000% notes due 2024 (the **2024 4% Euro Notes**"); (iv) €1,000 million aggregate principal amount of 2.750% notes due 2025 (the "**2025 2.75% Euro Notes**"); (v) €1,000 million aggregate principal amount of 3.000% notes due 2025 (the "**2025 3% Euro Notes**"); (vi) €750 million aggregate principal amount of 2.875% notes due 2026 (the "**2026 2.875% Euro Notes**"); (vii) €1,000 million aggregate principal amount of 3.625% notes due 2026 (the "**2026 3.625% Euro Notes**"); (viii) €1,250 million aggregate principal amount of 2.375% notes due 2027 (the "**2027 Euro Notes**"); (ix) €1,000 million aggregate principal amount of 1.625% notes due 2029 (the "**2029 Euro Notes**"); and (x) €670 million aggregate principal amount of 5.250% notes due 2055 (the "**2055 Euro Notes**"). The EMTNs (i) are general unsecured obligations of the Issuer; (ii) rank *pari passu* in right of payment to any existing and future senior indebtedness of the Issuer, including the Notes; (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 the Issuer 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—TIM Bonds—EMTN Programme*" for more details. On 11 July 2023, the Company launched the Tender Offer for the purchase of its 2024 3.625% Euro Notes and its 2024 4% Euro Notes (the "**Tendered Notes**"). It is intended that the Tendered Notes will be purchased with the proceeds or a portion of the proceeds from the Offering.

(8) In 2021, Teemo Bidco Sarl, an indirect subsidiary of KKR Global Infrastructure Investors III L.P. acquired 37.5% of Fibercop S.p.A. and Fastweb S.p.A. subscribed to 4.5% of Fibercop S.p.A.

(9) As of the date of this Information Memorandum, the FiberCop Term Loan is fully drawn in an aggregate principal amount of €1,500 million. See "*Description of Certain Other Financing Arrangements—TIM Group Loans—Fiber Cop Term Loan*" for more details.

(10) As of the date of this Information Memorandum, the outstanding TIC Bonds comprise: (i) $1,000 million aggregate principal amount of 6.375% senior guaranteed notes due 2033 (the "**2033 TIC Bonds**"); (ii) $1,000 million aggregate principal amount of 6.000% senior guaranteed notes due 2034 (the "**2034 TIC Bonds**"); (iii) $1,000 million aggregate principal amount of 7.200% senior guaranteed notes due 2036 (the "**2036 TIC Bonds**"); and (iv) $1,000 million aggregate principal amount of 7.721% senior guaranteed notes due 2038 (the "**2038 TIC Bonds**"). The TIC Bonds are senior unsecured obligations of Telecom Italia Capital S.A. and are guaranteed on a senior basis by the Issuer. See "*Description of Certain Other Financing Arrangements—TIC Bonds*" for more details.

(11) As of the date of this Information Memorandum, the outstanding TIF Bonds comprise €1,015 million aggregate principal amount of 7.750% senior notes due 2033. The TIF Bonds are senior unsecured obligations of Telecom Italia Finance S.A. and are guaranteed on a senior basis by the Issuer. See "*Description of Certain Other Financing Arrangements—TIF 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 the date of this Information Memorandum, the outstanding TIM S.A. Loans comprise: (i) $150 million aggregate principal amount outstanding under the Finnish Export Credit Loan Agreement; (ii) BRL 319 million aggregate principal amount outstanding under the BNDES Loan Agreement; (iii) BRL 390 million aggregate principal amount outstanding under the FINAME Loan Agreement; (iv) BRL 249 million aggregate principal amount outstanding under the BNB Loan Agreement; (v) $87.7 million aggregate principal amount outstanding under the BNP Loan Agreement; (vi) $100 million aggregate principal amount outstanding under the 2021 BNS Loan Agreement; and (vii) $199.4 million aggregate principal amount outstanding under the 2022 BNS Agreement (each such term as defined in the "*Description of Certain Other Financing Arrangements—TIM S.A. Loans*"). See "*Description of Certain Other Financing Arrangements—TIM Group Loans—TIM S.A. Loans*" for more details.

(14) As of the date of this Information Memorandum, the outstanding TIM S.A. Bonds comprise BRL 1,600 million aggregate principal amount of IPCA+4.168% sustainability-linked senior debentures due 2028. The TIM S.A. Bonds 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—TIM S.A. Bonds*" for more details.

THE OFFERING

This section is a general description of the offering of the Notes. The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of the Notes. Words and expressions defined or used in "Conditions of the Notes" below shall have the same meanings in this summary.

Issuer — TIM S.p.A. ("**TIM**").

TIM was incorporated as a joint stock company under the laws of Italy on 20 October 1908, and its duration is until 31 December 2100. TIM's registered office is Via Gaetano Negri 1, 20123 Milan, Italy.

Legal Entity Identifier of the Issuer — 549300W384M3RI3VXU42.

Notes offered — €750,000,000 7.875 per cent. Notes due 31 July 2028.

Issue Date — 20 July 2023.

Issue Price — 99.996 per cent. of the principal amount of the Notes.

Maturity Date — 31 July 2028.

Interest Rate — The Notes will bear interest from and including the Issue Date (as defined below) to but excluding the Maturity Date at the rate of 7.875 per cent. *per annum*.

Interest Payment Date — Interest will be payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 January 2024.

Form of the Notes — The Notes will be issued in bearer form. The Notes will initially be in the form of the Temporary Global Note, exchangeable for the Permanent Global Note which may be exchanged for Definitive Notes in the limited circumstances set out in the Permanent Global Note. See "*Summary of Provisions Relating to the Notes While Represented by the Global Notes*".

Denomination of Notes — The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. Each Note will be issued with Coupons attached on issue.

Joint Global Coordinators and Physical Bookrunners — BNP Paribas, Goldman Sachs International and J.P. Morgan SE.

Joint Bookrunners — Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, Société Générale and UniCredit Bank AG.

Trustee .... GLAS Trustees Limited.

Principal Paying Agent .... Citibank, N.A., London Branch.

Currency .... Euro.

Clearing Systems .... The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and have been attributed the following codes: ISIN: XS2637954582 Common Code: 263795458 CFI: DBFNFR FISN: TELECOM ITALIA/7.875EUR NT 20280731.

Tax Redemption .... The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 10 nor more than 60 days' notice to the Noteholders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, accrued to the Tax Redemption Date (as defined in Condition 6.2 (*Redemption for Taxation Reasons*)) and any Additional Amounts, in the event that the Issuer is or would become required to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) either as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) affecting taxation, which change or amendment is publicly announced or becomes effective on or after 17 July 2023 or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the date of the Information Memorandum, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed;

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment regarding the application, administration or interpretation is publicly announced or becomes effective on or after 17 July 2023 (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the date of the Information Memorandum, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed; and

(c) the merger of the Issuer into another Person or the conveyance, transfer or lease of all or substantially all of the Issuer's assets, unless the sole purpose of such a merger would be to permit the Issuer to redeem the Notes,

as further described in Condition 6.2 (*Redemption for Taxation Reasons*).

Redemption at the Option of the Issuer (Make-Whole Call).

The Issuer may, having given (a) not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*), and (b) notice to the Trustee and the Principal Paying Agent not less than 10 days before the giving of the notice referred to in (a) above (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. See Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*).

Redemption at the option of the Issuer (Issuer Maturity Par Call) ....

The Issuer may, having given (a) not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*), and (b) notice to the Trustee and the Principal Paying Agent not less than 10 days before the giving of the notice referred to in (a), (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption. See Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*).

Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and a Network Event

If a Change of Control or a Network Event occurs, each Noteholder shall have the option to require the Issuer to redeem (or, at the Issuer's option, to purchase) the Notes held by it (in whole but not in part) on the date which is seven days after the expiration of the Put Period (as defined in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*)) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

A "Change of Control" will be deemed to occur if there is an Acquisition of Control of the Issuer (except in the event that any person or persons referred to in sub-paragraphs (a), (b) and/or (c) of the definition of "Acquisition of Control" has or acquires such Control or Joint Control).

A "Network Event" will be deemed to occur upon a Disposition of (i) all or a substantial portion (constituting more than one-half in quantitative terms) of the properties or assets comprised in the Network to a Person or Persons which are not a Subsidiary or, as applicable, Subsidiaries of the Issuer or (ii) shares of a Person or Persons to which the Network, or a substantial portion thereof, was previously transferred if such Disposition of shares results in the Issuer ceasing to have Control over any such Person or Persons; *provided that*, immediately after giving *pro forma* effect to such Disposition (including any substantially concurrent application of the proceeds thereof) the Consolidated Net Leverage Ratio of the Issuer exceeds 3.00 to 1.00.

See Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*).

Redemption at the Option of the Issuer (Equity Offering) ....

At any time, the Issuer may on any one or more occasions, upon not less than 10 nor more than 60 days' notice to the Trustee, the Paying Agents and the Noteholders, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 107.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering, subject as set out in Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*).

"Equity Offering" means a sale of Capital Stock (other than to the Issuer or any of its Subsidiaries) that is a sale of Capital Stock of the Issuer other than, for the avoidance of doubt, any Capital Stock (including rights, warrants and options) which is issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees or directors (including directors holding or formerly holding executive office or the personal service company of any such person), in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

See Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*).

Withholding Tax ....

All payments made by or on behalf of the Issuer under or with respect to the Notes or Coupons will be made without withholding or deduction for or on account of any present or future Taxes, except as provided in Condition 7 (*Taxation*). In the event that any such withholding or deduction is made, the Issuer will, except as provided in Condition 7 (*Taxation*), pay such additional amounts as may be necessary such that the net amounts received after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes or Coupons, in the absence of such withholding or deduction.

Substitution.............................. The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) as the principal debtor under the Notes of another company, being any entity that may succeed to, or to which the Issuer (or any previous substitute) may transfer, all or substantially all of the assets and business of the Issuer (or any previous substitute) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

Restrictions on Security Interests.................................... The terms of the Notes contain a provision restricting the ability of the Issuer 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 (*Restrictions on Security Interests*).

Cross Default........................... See Condition 9 (*Events of Default*).

Status of the Notes.................... The Notes and the Coupons relating to them are unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing and Admission to Trading .... Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the professional segment of its Euro MTF Market, with effect from the Issue Date. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID.

Listing Agent .... Maples and Calder (Ireland) LLP.

Governing Law........................ The Notes and any non-contractual obligations arising out of or in connection with any of them will be governed by, and construed in accordance with, English law, save for mandatory provisions of Italian law relating to the meetings of Noteholders and the Noteholders' Representative.

Ratings .... The Notes are rated "B1" by Moody's, "B+" by S&P and "BB-" by Fitch. Moody's, S&P and Fitch are established in the EU and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Selling Restrictions .... United States, the EEA (including Italy and France), the United Kingdom, Japan, Switzerland, Hong Kong and Singapore, as further described under "*Subscription and Sale and Transfer and Selling Restrictions*" below.

Risk Factors.............................. An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" beginning on page 31 of this Information Memorandum.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary historical 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 31 December 2022, 2021 and 2020 and as of and for each of the three months ended 31 March 2023 and 2022, which has been extracted or derived from the applicable Consolidated Financial Statements.

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

Summary Consolidated Income Statement

	For the three months ended 31 March		**Year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(€m)	(unaudited)			(audited)	
Revenues..	**3,847**	**3,644**	**15,788**	**15,316**	**15,805**
of which: service revenues	3,524	3,386	14,600	13,905	14,403
Other income	37	37	213	272	211
Total operating revenues and other income ..	**3,884**	**3,681**	**16,001**	**15,588**	**16,016**
Acquisition of goods and services	(1,756)	(1,620)	(7,239)	(6,550)	(6,173)
Employee benefits expenses	(1,089)	(731)	(3,180)	(2,941)	(2,639)
Other operating expenses	(181)	(168)	(816)	(1,502)	(961)
Changes in inventories	41	20	22	10	(6)
Internally generated assets	140	134	559	475	502
EBITDA	**1,039**	**1,316**	**5,347**	**5,080**	**6,739**
of which: impact of non-recurring items	(420)	(71)	(682)	(1,143)	(324)
Depreciation and amortization..............	(1,201)	(1,107)	(4,777)	(4,490)	(4,616)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	-	-	36	(4,120)	(19)
Operating profit (loss) (EBIT)	**(162)**	**209**	**606**	**(3,529)**	**2,104**
of which: impact of non-recurring items	(420)	(71)	(682)	(5,263)	(324)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments.	(4)	16	229	164	472
Finance income	322	325	1,115	1,124	1,143
Finance expenses	(693)	(642)	(2,538)	(2,274)	(2,322)
Profit (loss) before tax from continuing Operations...	**(537)**	**(92)**	**(588)**	**(4,515)**	**1,397**
of which: impact of non-recurring items	(429)	(72)	(490)	(5,144)	121
Income tax expense	(85)	(50)	(2,066)	(3,885)	5,955
Profit (loss) from continuing operations........	**(622)**	**(142)**	**(2,654)**	**(8,400)**	**7,352**
Profit (loss) from Discontinued operations/non-current assets held for sale	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the period..................	**(622)**	**(142)**	**(2,654)**	**(8,400)**	**7,352**
Of which: impact of non-recurring items	(427)	(52)	(2,437)	(8,653)	6,048

Summary Consolidated Statement of Financial Position

	As of 31 March		**As of 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(€m)	(unaudited)			(audited)	
Cash and cash equivalents	2,660	3,272	3,555	6,904	4,829
Property, plant and equipment owned ..	14,094	13,692	14,100	13,311	13,141
Total assets	**61,281**	**66,295**	**62,027**	**69,187**	**73,234**
Total equity	**18,169**	**22,735**	**18,725**	**22,039**	**28,840**
Total liabilities	**43,112**	**43,560**	**43,302**	**47,148**	**44,394**

Summary Consolidated Statement of Cash Flows

	As of 31 March		As of 31 December		
	2023	2022	2022	2021	2020
(€m)	(unaudited)			(audited)	
Cash flows from/(used in) operating activities	851	1,075	4,895	4,336	6,551
Cash flows from/(used in) investing activities	(1,155)	(756)	(5,335)	(5,117)	(3,077)
Cash flows from/(used in) financing activities	(596)	(4,101)	(2,869)	3,164	(2,009)
Cash flows from/(used in) Discontinued operations/Non-current assets held for sale	-	-	-	-	-
Aggregate cash flows	**(900)**	**(3,782)**	**(3,309)**	**2,383**	**1,465**

Other Financial Data

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(€m)	unaudited (unless stated otherwise)				
Revenues	**3,847**	3,644	15,788	15,316	15,805
of which: service revenues [(1)]	3,524	3,386	14,600	13,905	14,403
EBITDA [(2)*]	1,039	1,316	5,347	5,080	6,739
EBITDA-AL[(2)*]	769	1,098	4,313	4,261	5,925
Capital Expenditures [(3)]	837	932	4,077	4,630	3,409
Capital Expenditures (net of spectrum) [(3)*]	837	932	3,979	3,826	3,409
Operating free cash flow [(4)*]	298	304	(625)	1,444	3,304
Operating free cash flow (net of licenses) [(4)*]	298[(5)]	490[(5)]	1,617[(5)]	1,879[(5)]	3,414[(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 our 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. The TIM Group's service revenue for the three months ended (i) 30 June 2022 was €3,644 million (of which €2,671 million was generated by the Domestic Business Unit); (ii) 30 September 2022 was €3,720 million (of which €2,694 million was generated by the Domestic Business Unit); and (iii) 31 December 2022 was €3,850 million (of which €2,822 million was generated by the Domestic Business Unit).

(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. The TIM Group's EBITDA for the three months ended (i) 30 June 2022 was €1,342 million (of which €892 million was generated by the Domestic Business Unit); (ii) 30 September 2022 was €1,287 million (of which €787 million was generated by the Domestic Business Unit); and (iii) 31 December 2022 was €1,402 million (of which €878 million was generated by the Domestic Business Unit). The TIM Group's EBITDA-AL for the three months ended (i) 30 June 2022 was €1,082 million (of which €763 million was generated by the Domestic Business Unit); (ii) 30 September 2022 was €1,011 million (of which €660 million was generated by the Domestic Business Unit); and (iii) 31 December 2022 was €1,122 million (of which €747 million was generated by the Domestic Business Unit).

(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. The TIM Group's Capital Expenditures (net of spectrum) for the three months ended (i) 30 June 2022 was €974 million (of which €772 million was generated by the Domestic Business Unit); (ii) 30 September 2022 was €856 million (of which €670 million was generated by the Domestic Business Unit); and (iii) 31 December 2022 was €1,315 million (of which €1,059 million was generated by the Domestic Business Unit).

(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

	As of and for the three months ended 31 March	As of and for the year ended 31 December

	2023	2022	2022	2021	2020
(€m)		(unaudited, unless stated otherwise)			
Cash and cash equivalents	(2,660)	(3,272)	(3,555)	(6,904)	(4,829)
Net Financial Debt Carrying amount(1)*	25,717	22,846	25,370	22,416	23,714
Adjusted Net Financial Debt(2)*	25,820	22,639	25,364	22,187	23,326
Adjusted Net Financial Debt-AL(3)*	20,455	17,673	20,015	17,573	18,594

(*) 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 our 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.

Certain Pro Forma and As Adjusted Financial Data

	As of and for the twelve months ended 31 March 2023
(€m, except ratios)	(unaudited)
Organic EBITDA-AL (1)*	5,001
Organic Revenue (2) *	15,946
Organic EBITDA-AL Margin (3)*	31.4
Adjusted Net Financial Debt-AL (4)*	20,445
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL	4.09x
Pro forma cash and cash equivalents (5)	2,810
Pro forma Adjusted Net Financial Debt-AL (6)	20,445
Pro forma Net finance income/(expenses) (7)	(1,418)
Ratio of Pro forma Adjusted Net Financial Debt-AL to Organic EBITDA-AL	4.09x
Ratio of Organic EBITDA-AL to Pro forma Net finance income/(expenses)	3.53x

(*) 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 our 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 Revenues represents Revenues excluding, where applicable, effects of the change in the scope of consolidation, exchange differences and non-recurring events and transactions.

(3) Organic EBITDA-AL Margin represents the ratio of Organic EBITDA-AL to Organic Revenues, in each case for the twelve months ended 31 March 2023, expressed as a percentage.

(4) 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.

(5) *Pro forma* cash and cash equivalents represent cash and cash equivalents after giving *pro forma* effect to the issuance of the Notes, assuming the Notes are issued without any original issue discount, and application of proceeds therefrom (including the settling of the Tender Offer in accordance with the Tender Offer Memorandum) as if these transactions had occurred on 31 March 2023, as set out in "*Capitalisation*".

(6) *Pro forma* Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt-AL after giving *pro forma* effect to the issuance of the Notes and application of proceeds therefrom (including the settling of the Tender Offer in accordance with the Tender Offer Memorandum) as if these transactions had occurred on 31 March 2023, as set out in "*Capitalisation*".

(7) *Pro forma* Net finance income/(expenses) represents Net finance income/(expenses), after giving pro forma effect to the issuance of the Notes and application of proceeds therefrom (excluding the settling of the Tender Offer in accordance with the Tender Offer Memorandum) as if these transactions had occurred on 31 March 2023. *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 our financial condition at any future date.

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:

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(€m)	(unaudited, unless stated otherwise)				
Profit (loss) for the period..........................	**(622)**	**(142)**	**(2,654)**	**(8,400)**	**7,352**
Profit (loss) from Discontinued operations/non-current assets held for sale	—	—	—	—	—
Income tax expense	85	50	2,066	3,885	(5,955)
Finance expenses	693	642	2,538	2,274	2,322
Finance income..	(322)	(325)	(1,115)	(1,124)	(1,143)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	4	(16)	(229)	(164)	(472)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	—	—	(36)	4,119	19
Depreciation and amortization	1,201	1,107	4,777	4,490	4,616
EBITDA	1,039	**1,316**	**5,347**	**5,080**	**6,739**
Lease payments*	(270)	(218)	(1,034)	(819)	(814)
EBITDA-AL	**769**	**1,098**	**4,313**	**4,261**	**5,925**

(*) Adjusted for lease payments during the period on a historical basis. The year ended 31 December 2021 and 31 December 2020 are not presented on a comparable base with 31 December 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:

	Three months ended 31 March		**Year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(€m)	(unaudited, unless stated otherwise)				
Capital Expenditures (on accrual basis)........	837	932	4,077	4,630	3,409
of which spectrum *	-	-	98	804	-
Capital Expenditures (net of spectrum)* ..	837	932	**3,979**	**3,826**	**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 our 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:

	Three months ended 31 March		**Year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(€m)	(unaudited, unless stated otherwise)				
EBITDA	1,039	1,316	5,347	5,080	6,739
Capital Expenditures (on accrual basis)........	(837)	(932)	(4,077)	(4,630)	(3,409)
Change in working capital*(1)	96	(80)	(1,895)	994	(26)
Operating Free Cash Flow*.......................	**298**	**304**	**(625)**	**1,444**	**3,304**

of which payment of TLC licenses and for the use of frequencies* [2]	-	186	2,242	435	110
Operating Free Cash Flow (net of licenses)* [3]	**298**	**490**	**1,617**	**1,879**	**3,414**

(*) 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 our 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 31 March	**As of 31 December**		
	2023	**2022**	**2021**	**2020**
(€m)		(unaudited)		
Bonds	17,731	18,058	20,895	19,844
Amounts due to banks, other financial payables and liabilities	8,609	8,720	8,487	7,488
Financial liabilities for lease contracts	5,528	5,467	4,715	4,830
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-	-
Gross financial debt *	**31,868**	**32,245**	**34,097**	**32,162**
Financial assets	6,151	6,875	11,681	8,448
of which: cash and cash equivalents	2,660	3,555	6,904	4,829
Net Financial Debt Carrying Amount *	**25,717**	**25,370**	**22,416**	**23,714**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	103	(6)	(229)	(388)
Adjusted Net Financial Debt	**25,820**	**25,364**	**22,187**	**23,326**
Leasing [1]	(5,365)	(5,349)	(4,614)	(4,732)
Adjusted Net Financial Debt-AL	**20,455**	**20,015**	**17,573**	**18,594**

(*) 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 our 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:

	Three months ended 31 March		**Year ended 31 December**	**Twelve months ended 31 March**
	2023	**2022 #**	**2022**	**2023**

(€m)	(unaudited, unless stated otherwise)			
EBITDA	**1,039**	**1,316**	**5,347**	**5,070**
Non-recurring expenses/(income) [(1)]	420	71	682	1,031
Lease payments	(270)	(223)	(1,034)	(1,081)
Foreign currency financial statements translation effect [(2)] ..	-	19	-	(19)
Effect of translating non-recurring expenses/(income) in currency [(2)]	-	-	-	-
Changes in scope of consolidation [(3)]	-	-	-	-
Organic EBITDA-AL[*(4)] **............................**	**1,189**	**1,183**	**4,995**	**5,001**

(*) 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 our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*".

(#) On a comparable basis with 31 March 2023.

(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 31 December 2022 include:

  (i) €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 31 December 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 31 December 2022.

  (ii) €572 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 Art. 4 of Italian Law no. 92 of 28 June 2012 and the former Art. 41, subsection 5bis, of Italian Legislative Decree no. 148/2015, and agreements signed during the year ended 31 December 2022, with certain trade unions relating to the Italian companies comprising the Domestic Business Unit).

  (iii) €56 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil.

  (iv) €23 million in other income for the recovery of operating expenses.

(2) Foreign currency translation effects result from the translation of the results of a subsidiary that prepares its accounts in a currency other than the euro, into the Issuer's reporting currency, which is the euro. The Issuer adjusts Organic EBITDA for these translation effects in order to facilitate period-to-subsequent period comparability.

(3) Changes in scope of consolidation reflect adjustments to prior-period perimeters to facilitate period-to-subsequent period comparability to the scope of consolidation at reporting date.

(4) 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.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the risks described below before deciding to invest in the Notes. In assessing these risks, prospective investors should also refer to the other information included in this Information Memorandum, including the Consolidated Financial Statements and related notes included herein.

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There are a wide range of factors which could individually or in aggregate materially adversely affect the TIM Group's business, financial condition, results of operations, prospects and the Issuer's ability to make payments due under the Notes and which could therefore have a negative effect on the trading price of the Notes, payments which the investors will receive in respect of the Notes and/or on the rights of investors under the Note. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. As a result, investors could lose some or all of their investment. The risks and uncertainties described herein are not the only ones that the TIM Group faces. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors. Certain factors which the Issuer currently deems immaterial could impair TIM Group's business, financial condition, results of operations and the Issuer's ability to make payments on the Notes, as a result of the occurrence of events outside the Issuer's control.

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

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 could adversely affect its business.

The TIM Group's fixed and mobile telecommunications operations, in Italy and abroad, are subject to regulatory requirements. 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. Current requirements are mainly focused on the regulation of the TIM Group's wholesale business, while the regulation of retail markets has been largely withdrawn, with the exception of price tests on retail access offers (for telephone, broadband and UBB 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 expected the TIM Group's results 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).

In principle, a new "round" of Market Analyses should be conducted by AGCOM every three years, in order to deal with the evolution of market conditions and technology developments and set the rules for the subsequent three-year period. Although the regulatory review process does not always follow the expected schedule, it is expected that the current regulatory review process will conclude in 2024.

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 an even greater degree of uncertainty with respect to rules and economic requirements.

The Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) ("**AGCM**") and AGCOM, 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 which it operates in Italy, Brazil and its other international markets. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. 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, or those of third parties, could adversely affect its future operations in Italy and in other countries where the TIM Group operates.

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. For the Italian market, the TIM Group has defined a specific strategy for the different areas of competition in the Italian market, which includes:

- Development of fixed network with a strong acceleration of FTTH coverage and 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.

- 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 behaviour 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. As a new business, fixed wireless access also brings new risks, particularly related to market response and customer behaviour, 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 14 February 2023, the TIM's board of directors approved the 2023-2025 Industrial Plan. In particular, to pursuant to which, in order to mitigate regulatory constraints, reduce the level of debt, and increase the focus on the markets it focuses on, the TIM Group has decided to implement the Delayering Plan, pursuant to which it plans to transition from a vertically integrated operator structure and to a new horizontal structure, divided into separate entities, comprising:

- ServiceCo: the services company, which will include three business units: TIM Enterprise, dedicated to the segment of large Italian companies and the Italian public administration (and possibly further separate this business unit into a standalone entity); TIM Consumer, to serve Italian households, individuals and small and medium-sized enterprises; and TIM Brasil, which serves the Brazilian market.

- NetCo: the network company in Italy, which will also include national and international wholesale assets and activities.

For more details of the TIM Group's strategic objectives and the Delayering Plan, please see "*Summary—The TIM Group's Strategy*", "*Summary—Recent Developments—Potential NetCo Separation*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

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 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 economic environment (also taking into consideration the impact of the current inflationary environment and energy crisis) in 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;

- the TIM Group's ability to develop and introduce new technologies that are attractive in its principal markets, to manage innovation, to supply value added services and to increase the use of its fixed and mobile networks;

- 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/UBB strategy (especially with respect to FTTH);

- the TIM Group's ability to successfully achieve its financial targets (including debt reduction);

- the effect of exchange rate and inflation fluctuations;

- the impact of fluctuations in currency exchange and interest rates and the performance of the equity markets in general;

- the outcome of litigation, disputes and investigations in which the TIM Group is involved or may become involved;

- 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*"); and

- the costs the TIM Group incurs due to unexpected events, in particular where its insurance is not sufficient to cover such costs.

As a result of these uncertainties 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 time-frames described. Furthermore, if the TIM Group is unable to attain its strategic priorities, or if a further deterioration of macroeconomic and geopolitical environments exacerbate 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 TIM Group is 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 business in which the TIM Group operates; from the other licensed operators ("**OLO**") in the consumer segment and from the alternative network operators ("**AltNet**") and in the Wholesale National Market (each as described in "*Business of the TIM Group*"). 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 market, for example, the recent launch of Iliad has added an additional risk pressure to an already complex situation.

In Brazil, the TIM Group faces competition throughout Brazil from many providers in the personal communications service ("**PCS**") market. It 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 Movel S.A. by TIM, Vivo and Claro, the TIM Group believes that the likelihood of further consolidations in the Brazilian telecom market among the main competitors are remote, but if further consolidations driven by main competitors were to occur, those consolidations may favour their strategic advantage with increased market power and access to greater financial resources, thereby weakening our 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 are 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 in popularity, as they are expected to do, and if the TIM Group and other mobile network operators are not able to address this competition, this could contribute to further declines in mobile monthly average revenue per user ("**ARPU**"), and lower margins across many of products and services, thereby having a material adverse effect on 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 Internet service providers ("**ISPs**"), thereby allowing the 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*".

In addition, competition concerning innovative products and services in the TIM Group's Italian domestic fixed-line, mobile telephony and broadband/UBB 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 existing or 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.

The separation of NetCo from the TIM Group may be complex, could cause us to incur unexpected costs and we will be required to rely on NetCo for transitional and infrastructure access services. There can be no assurance that we will be able to deliver any or all of the expected benefits of the Delayering Plan, a separation of NetCo and/or a Deconsolidation.

The TIM Group previously announced its strategic Delayering Plan to overcome its current vertical integration and to move towards the establishment of four separately managed and self-sustaining entities (TIM Consumer, TIM Enterprise, TIM Brasil and NetCo). The TIM Group also previously announced that it has received several non-binding offers for its NetCo business and following evaluating its options with respect thereto, it has initiated, on an exclusive basis, an ameliorative negotiation with KKR, aimed at obtaining the presentation of a conclusive and binding offer. If the TIM Group chooses to consummate a Deconsolidation, the process of separating NetCo from the TIM Group could be complex, involving the separation of certain business systems and support services. In connection with any such separation, the TIM Group will likely enter into a transitional services agreement to provide or procure certain services to NetCo and NetCo will likely agree to provide or procure certain transitional services to the TIM Group for a period of time sufficient to facilitate the transition to separate operations. Additionally, following any such Deconsolidation, the TIM Group expects to maintain access to NetCo's infrastructure through a wholesale agreement. In light of these potential 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 the separation process or performance of NetCo's obligations under such transitional services arrangements and/or (ii) potential liabilities during the period of such wholesale agreement if it fails to deliver certain obligations to NetCo, each of which could adversely affect its financial condition and results of operations. Further, the TIM Group expects that a potential Deconsolidation of NetCo would result in improvements to the regulatory environment for TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with wholesale-only entrants under applicable competition laws. However, there can be no assurance that a Deconsolidation will occur or that a favourable regulatory environment will result from any such Deconsolidation. See "*Summary—The TIM Group's Strategy*", "*Summary—Recent Developments—Potential NetCo Separation*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operation*".

The assumptions used in estimating savings targets components and steps are forward-looking in nature.

In this Information Memorandum, we present certain forward-looking savings targets that we expect to realize pursuant to the Transformation Plan. The assumptions used in estimating total savings, including the components of such estimates, and the steps to be taken to realize such savings, are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. We cannot guarantee that the information on which we have based our assumptions will not change or that we will be able to realize the cost savings or unrealized revenue benefits that we believe possible based on these management's estimates and assumptions. See "Summary*—The TIM Group's Strategy—Transformation Plan*".

We present limited illustrative financial information regarding the Delayering Plan, and the expected segmentation of our business following its implementation, and such information should not be relied upon when making an investment decision or used as an alternative to, or substitute for, the financial information presented in the Financial Statements.

In this Information Memorandum, we present organic revenues (including intercompany revenues), Organic EBITDA-AL, and capital expenditures (net of license and excluding the future contribution from the National Recovery and Resilience Plan), in each case for the year ended 31 December 2021, for the segments that we expect to operate following the implementation of the Delayering Plan (TIM Enterprise, TIM Consumer, TIM Brasil and NetCo). Further, the TIM Group also previously announced that it has received several non-binding offers for its NetCo business and is evaluating its options with respect thereto. See "*Summary—Recent Developments—Potential NetCo Separation*". Such illustrative financial information is limited, has been prepared by management for illustrative purposes only, has not been audited or verified by any independent third party and should not be considered comprehensive or complete. While the underlying assumptions about the NetCo perimeter continue to evolve as part of the NetCo separation process, management continues to believe that the information relating to NetCo that it has previously communicated continues to present a directionally fair and accurate estimate of the NetCo business results and the overall significance of the NetCo business contribution to the financial results of the TIM Group, including in respect of subsequent periods. Further, while the accounting and consolidation principles applied to such illustrative financial information are consistent with those applied for the 2022 Consolidated Financial Statements, investors should not use such financial information in isolation or as an alternative to, or substitute for, the financial information presented in the Financial Statements included elsewhere in this Information Memorandum.

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

The wireless telecommunications market is experiencing significant technological changes, 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 behaviours, 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 our customers to switch faster to other providers, thereby increasing competition;

- an increase in market competition in respect of residential fixed ultra-broadband, requiring operators (including former fixed Internet providers which had provided services using copper and coaxial technologies) to accelerate investments in fiber capillarity deployments. This factor becomes more significant when considering the country's continental dimensions, new market opportunities and the need to provide comparable service in capacity and quality to locations far from large centres, thus boosting investments in IP backbone and datacentres;

- 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.

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

Like the 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 become 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.

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. 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 results of operations.

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 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. In addition, the TIM Group cannot assure potential investors that these customers will not terminate their contracts with it. Such terminations may have a material adverse effect on the TIM Group's business, financial condition and results of operations.

The TIM Group depends on data centres 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 ourselves 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 datacentres, including the connectivity with the TIM Group's datacentres 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 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. 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 favourable 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 labour obligations related to the outsourced workers. If the contracting of third-party services are 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 it may be subject to administrative proceedings by the relevant labour authorities and may be required to pay fines to the third-party service providers.

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, it relies partly on electronic communications networks belonging to other operators and networks rolled out by certain local authorities, such as Fastweb, Open Fiber, A2A.

The TIM Group's main suppliers are engaged in providing mass-market products (smartphones and software licenses) and in providing and deploying mobile telecommunications network. There are no constraints on the TIM Group in substituting these suppliers with other providers.

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 centres 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 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, pronouncements 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 remains within reasonably predictable ranges. In the past, we have faced risks relating to our internal control procedures with respect to complex contracts and we may face similar risks in the future. For example, in the year ended 31 December 2022, the TIM Group recorded significant provisions for contractual risks for onerous contracts. See Note 22 to the 2022 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 over-the-Internet 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 fixed and 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 in popularity, as they are expected to, 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 market share, revenues or profitability.

Alternative infrastructure operators in Italy could pose a threat to the TIM Group, particularly in the medium to long term.

In the fixed market, AltNets, such as Open Fiber S.p.A. (Open Fiber), have disclosed and started to implement plans to develop alternative UBB telecommunications networks in large Italian cities and in the so-called "market failure" zones (or White Areas), in which investments by private operators were previously limited and in which UBB infrastructure is being built as a result of direct state intervention. Similar developments, both on a standalone basis and through partnerships with OLOs, could adversely impact the TIM Group's businesses, assets and goodwill and, as a consequence, its operating results and financial position.

As the development of alternative networks is completed, the TIM Group may face increased competition in the national Wholesale market segment from OLOs which can purchase connections from AltNets and use them to offer their own competing services. This could lead to a loss of customers and revenues for the TIM Group.

The TIM Group may be adversely affected if it fails to successfully implement its Internet and broadband/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. Its 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;
- it is unable to provide superior broadband connections and broadband/mobile services relative to its competitors;
- delays in obtaining the necessary permits and authorizations;
- delays in the procurement of materials and devices due to possible supply shocks;
- it experiences network interruptions or related capacity problems with network infrastructure; or
- it is unable to obtain adequate returns from the investments related to its network development.

However, the implementation of 4.5G/5G UBB mobile 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 UBB mobile 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 business and results of operations of the TIM Group. 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)* ("**PSN**"), 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 is subject to increasing market competition*".

The TIM Group's business may be adversely affected if it fails to successfully implement its UBB fixed 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 UBB 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 UBB technologies is dependent on a number of factors, including:

- delays in receiving the necessary permissions and authorizations for installation of lines;

- resistance by road administrators to the use of innovative techniques for excavation and the laying of fiber optic cables;

- delay in supplying of material and devices due to possible supply chain shocks;

- increase in transport, raw materials and labour cost of network companies due to inflationary pressures and increase in energy costs (see "*—Risks related to Macroeconomic Conditions*"); and

- delay in the verification and control operation by the SINFI (*Sistema Informativo Nazionale Federato delle Infrastrutture*); the tool identified for coordination and transparency for the new Italian broadband and ultra-broadband strategy which, among other functions, promotes the sharing of infrastructure through an orderly management of underground and above ground infrastructure and the related maintenance, and which also offers a single dashboard that efficiently manages and monitors maintenance.

If the TIM Group fails to achieve its objectives for the implementation of UBB 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 networks 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 fixed and 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 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 labour 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 (unbundling, building and co-financing FTTH networks and 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. The TIM Group cannot assure potential investors that its future upgrades will generate a positive return or that it will have adequate capital available to finance such future upgrades. 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 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 fixed and/or 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 datacentres 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 fixed-line and mobile telecommunications services) and the assets managed on behalf of clients, are vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, 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 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 is currently adopting ISO 27001 standard best practices and has been 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, 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 analyse 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, could result in financial loss, reputational damage, market share loss, and regulatory sanctions. Further, as cyber-attacks continue to evolve, 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 our business, financial condition, results of operations and prospects.

Pursuant to the appliable 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 our information technology security systems, employee negligence or the actions of our vendors, we 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 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, 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, including the Notes. 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 potential investors 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, for example, 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; diversion of managerial resources away from its day-to-day business operations; 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 businesses 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 favourable terms, or it may be unable to secure replacements. While the TIM Group strives to mitigate unexpected liabilities and risks though 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 31 March 2023, 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 €19,118 million, representing 31% of its total assets. Additionally, the TIM Group has made business acquisitions in the past and may make further acquisitions in the future. 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. 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 cannot assure potential investors that the actions it has taken or will take in the future will be adequate to prevent violation of its proprietary rights. The TIM Group cannot assure potential investors 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 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 it 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. In addition, the TIM Group cannot assure potential investors that it would 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, delayed or hindered, which may adversely affect its operating results and financial position.

As of 31 March 2023, the largest shareholders in TIM are Vivendi S.A. 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") requirements or expectations may lead to reputational loss, loss of business or limit access to sustainable finance and operational costs 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 customers, policy makers, investors and others 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 datacentres and extending the lifetime of electronic devices. Such requirements may lead to increased costs 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. Failure to implement circular business models such as offering of products 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.

Failure to meet stakeholders' requirements or expectations may lead to reputational loss, loss of business or limit access to sustainable finance. Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could increase operational costs for 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 PSN 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.

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

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 the equity 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 31 December 2022 and 31 December 2021, respectively, €40,495 million (83.1% of total non-current operating assets) and €40,542 million (87.9% of total non-current operating assets); and

- Outside of Italy: as of 31 December 2022 and 31 December 2021, respectively, €8,225 million (16.9% of total non- current operating assets) and €5,597 million (12.1% of total non-current operating assets). Non-current operating assets outside of Italy are primarily denominated in Brazilian Real (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 Brazilian Real (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 equity 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.

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, its business prospects, its financial condition and its results of operations.

Geopolitical uncertainty, specifically the Russia-Ukraine conflict, has increased the TIM Group's risk profile due to the economic prospects in the countries where it operates.

The Ukraine-Russia conflict has uncertain implications that should become clearer over time. 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 transport.

In the event that the military, economic and political tensions continue to rise, the situation could have severe global consequences imposing a serious threat to the global security which could raise and intensify risks for the TIM Group. These risks include the safety and security of the TIM Group's workforce, the possibility that cyber-attacks could affect the TIM Group's networks and data or those of its customers, an increase in the likelihood of a supply chain shock that would result in higher inflation in the short and medium term.

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 Ukraine-Russia conflict has also indirectly led to a general increase in energy prices and, for the three months ended 31 March 2023 certain TIM Sparkle entities incurred higher energy costs compared to prior periods. The increase in energy prices has also led to an increase in inflation and ultimately in the cost of financing. TIM Sparkle entities are adopting measures directed at reducing the cost fluctuations of energy in approximately 40 countries worldwide. In Italy, the steps taken by the TIM Sparkle entities are aligned with the TIM Group's strategies to address inflation. Further, the Ukraine-Russia conflict may involve cyber attacks against countries that support economic sanctions against Russia. The TIM Sparkle entities, in coordination of the National Cybersecurity Agency ("**ACN"**), have raised the alert level of ICT monitoring for cyber security risks and in line with other TIM Group entities has implemented the technical indications from ACN.

There is a significant risk that Italy's economic growth in 2022 will experience a significant slowdown.

In the fourth quarter of 2022 Italy's gross domestic product ("**GDP**") decreased by 0.1% with respect to the previous quarter. Notably a 0.5 % advance in government expenditure was not enough to offset the 1.6% drop in household consumption. Gross fixed investments expanded by 2.0%, contributed by the NRRP measures meant to stimulate Italian firms' competitiveness. Conversely imports decreased by 1.7% while exports grew by 2.6% contributing positively and mitigating the overall GDP contraction. In the first quarter of 2023, Italy's GDP expanded by 0.5% with respect to the previous quarter.

Further, on 28 April 2020, Fitch downgraded Italy's sovereign credit rating to BBB- from BBB while indicating a stable outlook and affirmed such rating and outlook on 10 July 2020. The rating was upgraded to BBB on 3 December 2021, and has remained the same since then. In light of the political uncertainty in Italy in mid-2022, on 8 August 2022, Moody's downgraded Italy's sovereign credit rating which from Baa3 with a stable outlook to Baa3 negative. Similarly, on 26 July 2022, S&P downgraded Italy's sovereign credit rating from BBB with a positive outlook to stable.

The reopening of the Italian economy, after lifting all COVID-19 pandemic-related restrictions, and the policy measures to mitigate the impact of high energy prices on firms and households as well as a buoyant tourism season all contributed to the solid growth (close to 4%) for the full year 2022.

However, in management's view, the benefits in reopening the Italian economy have now almost run their course. Fiscal policies aimed at mitigating the economic and social impact of high energy prices do not and cannot address the causes of rising inflation rates and, due to their high cost, cannot be prolonged indeterminately. Also, the stimulus provided by the construction sector supported by generous refurbishing and building renovations incentives is expected to weaken.

The latest estimates for 2023 indicates output growth is set to slow down to 1.2%, before picking up to 1.1% in 2024. 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 recently 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 in 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.

Labour 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 (as of 31 March 2023, at around 7.9% (seasonally adjusted)) 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 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 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 is expected to experience a robust growth this year, in part due to strong consumer spending. High commodity prices have supported growth in Brazil, as the country has received higher prices for its substantial exports of oil, iron ore, and agricultural commodities. However, the weaker global economic environment and the prospect of a global recession are lowering both prices and demand for Brazilian exports. The economy is also struggling with high inflation and associated higher interest rates. Although inflation has begun to ease and the central bank has paused its interest rate hikes for the time being, the economy is expected to contract in the forthcoming year. Among other things, the war in Ukraine and the global economic outlook are highly uncertain factors that will ultimately determine the cost of energy worldwide and in Brazil. The central bank may adjust monetary policy to tackle inflation, which would strongly influence the Brazilian economy as well as the exchange rate of the Brazilian Real against the euro.

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 broader 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. Brazil's most recent presidential elections took place in October 2022, and Luiz Inácio Lula da Silva was elected as the President. The previous president, Jair Bolsonaro's term was marked by discussions over the reforms and political instability, attempts to deal with the COVID-19 pandemic and consequent economic and social crisis. There are uncertainties regarding the policies to be followed by the new government, its ability to implement policies and reforms, as well as the external perception of the Brazilian economy and political environment, all of which could have a negative impact on the TIM Group's business.

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 favourable 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*", included elsewhere in this Information 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*" 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, including the Notes. 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 S.A. 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 5 November 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 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.

Pursuant to the Golden Power Legislation, the Italian Golden Power Authority may, among others, prohibit or impose undertakings on (i) the acquisition of shareholdings in companies having strategic assets and relationships in sensitive sectors, such as, among others, defence and national security, energy, transport, communications, financial, healthcare and agri-food (the "**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.

More precisely, the Golden Power Legislation requires, *inter alia*, the following transactions to be reported to the Italian Golden Power Authority for its screening and the possible exercise of the veto right or the application of undertakings pursuant to the Golden Power Legislation:

- acquisitions by non-EU individuals or legal entities of, respectively, a controlling interest or an interest representing at least 10% of the voting rights or the share capital (if the value of the investment is equal to at least €1.0 million) of a Strategic Company (acquisitions that exceed the 15%, 20%, 25% and 50% thresholds are also subject to reporting obligations), and acquisitions of controlling interests by EU (including Italian) individuals or legal entities in Strategic Companies operating in the communications, energy, transport, financial, healthcare and agri-food sectors; the acquisition of an interest higher than 3% of the share capital of Strategic Companies operating in the defence and national security sector must be reported to the Italian Golden Power Authority by both non-EU and EU (including Italian) investors, with the sole exception of the Italian State and of Italian State-controlled entities; or

- resolutions, acts or transactions concerning Strategic Companies that give rise to changes in the ownership, control, possession or intended use of strategic assets or relationships, including (but not limited to) any merger, de-merger, transfer of business or branch of business as going concern, and the assignment of strategic assets as guarantees (*assegnazione a titolo di garanzia*), including also the enforcement of pledges over (i) the shares, if leading to the acquisition of a shareholding in a Strategic Company meeting or exceeding, as the case may be, the abovementioned thresholds, or (ii) the strategic assets; furthermore, it is untested in Court whether the simple granting of pledges over the shares or assets of Strategic Companies would require clearance under the Golden Power Legislation.

In addition to TIM Group's prominence in the communication sector under the Golden Power Legislation, in October and November 2017 the Italian Golden Power Authority designated certain of the TIM Group's assets and activities as strategic for the defence and national security sector and imposed various governance and organizational obligations and restrictions on the TIM Group.

By Legislative Decree No 21 of 21 March 2022 (Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis), converted into law with amendments by Law No 51 of 20 May 2022, the Golden Power Legislation was amended, requiring Strategic Companies to provide 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 activities regarding broadband communication based on 5G technology. The plan is subject to approval of the Italian Golden Power Authority, possibly with the imposition of undertakings.

In light of the above, the Italian Golden Power Authority could veto or impose undertakings in order to consent to the implementation of any transaction, act or resolution falling within the scope of application of the Golden Power Legislation. Accordingly, the TIM Group may not be permitted to undertake such transactions, acts or resolutions in a timely fashion, without undertakings that might have a material impact, or at all. Moreover, failure to comply with the reporting obligation provided under the Golden Power Legislation or with any veto or undertakings imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void, and in the perpetrators being subject to material monetary fines.

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 3 October 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.

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). Based on this regulation, Anatel will be able to take measures according to the specific cases, such as consumer compensation, the adoption of an action plan or adoption of precautionary measures to ensure quality standard improvements, generating a risk of impact on the amount of planned investments, on expected revenues as well as potential penalties.

After a joint effort by Anatel, operators and the Quality Assurance Support Authority ("**ESAQ**") to define the objectives, criteria and reference values of indicators at the end of November 2021, 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 operational effectiveness in 1 March 2022, as well as the disclosure of official indexes, and the Quality Seal (inducing competition for quality) at the beginning of 2023, considering the results of the new monitored indicators in the 2nd semester of 2022. Meanwhile, adjustments to the criteria and reference values can be made by Anatel.

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 personally identifiable information 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 personally identifiable information 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 personally identifiable information 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 personally identifiable information. In particular, starting from 25 May 2018, the TIM Group's operations are subject to the provisions of Regulation (EU) 2016/679 of 27 April 2016 ("**GDPR**") and to the Legislative Decree no. 196/2003, as amended by 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 personally identifiable information. 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, transparency, a right of access, the right to rectification and the right to erasure (which would require us 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 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 us 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 10 January 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 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.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data treatment, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with 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, 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 with respect to personal information can lead to disputes with the interested data subjects and the TIM Group engages in communications with the Italian Data Protection Authority with respect to data security matters where it deems necessary or advisable. Even the perception of 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 18 September 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 3 May 2021. However, the administrative sanctions provisions of LGPD only became enforceable as of 1 August 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 28 October 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 performed a deep-gap analysis in order to identify the main problems and, based on this analysis, are implementing resolutions to all issues identified in order to achieve full compliance with the new LGPD requirements. 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 6 April 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, € 0.9 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 conditions 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. 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. 458/2019 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 imposes 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 build-outs 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 issue 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. One reason for this is the development of big data, which has enlarged the scope of possible attacks, and particularly cyber-attacks. If a significant, either individually or in the aggregate, case of fraud were to occur, this could have a material adverse effect on the TIM Group's business, financial condition and results of operations.

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 our employees and related investigations.

The TIM Group is also exposed to the risk that its directors, employees or agents commit IT related crimes, 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, wilful 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 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 behaviour, fraud against the state, corporate offenses, market abuse, certain tax violations, certain environmental violations 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. 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 continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties 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.

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 the 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 favourable 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 centres, 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 labour disputes, in particular as a result of its plan to restructure its labour 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, in 2022, there were national strikes in Italy organized by trade unions against the TIM Group's Industrial Plan, which was designed to streamline TIM's operations. Further material labour disputes may occur, including as a result of the TIM Group's plan to restructure its labour 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*".

RISKS RELATED TO THE TIM GROUP'S INDEBTEDNESS

The substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may prevent the Issuer from fulfilling its obligations, including its payment obligations under the Notes.

The TIM Group currently has, and after the issuance of the Notes will continue to have, a significant amount of outstanding debt with substantial debt service requirements. As of 31 March 2023, the TIM Group had €31,868 million of gross financial debt (including lease liabilities of €5,528 million). The Revolving Credit Facility provides for borrowings up to an aggregate principal amount of €4,000 million, subject to certain conditions. The

Revolving Credit Facility was fully undrawn as of 31 March 2023. The carrying amount of the TIM Group's net financial debt was €25,717 million as of 31 March 2023, compared to €25,370 million as of 31 March 2022. See "*Capitalisation*" and "*Description of Certain Other Financing Arrangements*". The TIM Group anticipates that its high leverage will continue to exist for the foreseeable future and the covenants under the Notes and other existing financing arrangements will provide the TIM Group with significant flexibility to incur additional debt.

Its significant leverage could have important consequences for the TIM Group's business and operations and for holders of the Notes, including, but not limited to:

- making it more difficult for the Issuer to satisfy its obligations with respect to the Notes and its and its subsidiaries' other debts and liabilities, including in respect of bonds and credit facilities maturing prior to the maturity date of the 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; and
- 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.

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 Notes.

For further information regarding the TIM Group's substantial leverage and for more information about its indebtedness that will remain outstanding following the consummation of the Transactions. See "*Use of Proceeds*", "*Capitalisation*" and "*Description of Certain Other Financing Arrangements*".

The TIM Group has a substantial amount of indebtedness and a deterioration in cash flow, due to macroeconomic factors or otherwise, may negatively impact the TIM Group's ability to make payments on its indebtedness, including the Notes, or to raise additional capital.

The TIM Group's high leverage continues to be a factor in its strategic decisions, as it has been for a number of years, and the reduction of its leverage remains a key strategic objective. As a result of the foregoing, the TIM Group is reliant on cost-cutting to finance critical technology improvements and upgrades to its network, although it regularly assesses the need to raise additional capital to support critical investment.

Due to the competitive environment and the continuing weak economic conditions, there could be deterioration in the TIM Group's financial performance and in the financial measures used by rating agencies, such as Moody's, S&P and Fitch, to assess its 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 its ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

Factors that are beyond the TIM Group's control, such as deterioration in the telecommunications sector, unfavourable fluctuations in interest rates and/or exchange rates, further disruptions in the capital markets, particularly debt capital markets, and continuing weakness in general economic conditions at a national level could have a significant effect on its ability to make payments on its indebtedness, including the Notes, refinance its existing indebtedness or to raise additional capital. De-leveraging is one of the TIM Group's strategic objectives and the failure to reduce debt could be viewed negatively and could adversely affect its credit ratings.

The management and development of the TIM Group's business will require significant investments. If it is unable to finance its capital investments organically, the TIM Group may need to incur additional debt. Its future results of operations may be influenced by its ability to enter into such transactions, which, in turn, will be determined by market conditions and factors that are outside its control. In addition, if such transactions increase the TIM Group's leverage, it could adversely affect its credit ratings.

Any failure by the TIM Group to make any scheduled payments on its indebtedness, or to refinance such indebtedness on favourable terms, would have a material adverse effect on the TIM Group, its business prospects, its financial condition and its results of operations.

The Issuer and its subsidiaries may incur substantially more debt in the future, which may make it difficult for it to service its debt, including the Notes, and impair its ability to operate its business.

The TIM Group may incur substantial additional debt in the future, including debt in connection with future acquisitions.

The Trust Deed will not contain any restriction on the amount of unsecured indebtedness which the Issuer and its subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by holders of the Notes.

The Trust Deed will permit TIM's subsidiaries to incur additional debt as well. See "*—The Notes are structurally subordinated to the indebtedness and other obligations of the Issuer's subsidiaries*". Moreover, debt of the TIM Group may incur in the future could mature prior to the Notes.

In addition, the Notes are unsecured and, save as described in "*Conditions of the Notes*", do not contain any restriction on the provision of security by the Issuer over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets. See "*—Claims of secured creditors of the Issuer, if any, will have priority with respect to their collateral over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness*".

If new debt is added to the Issuer's and its subsidiaries' existing debt levels, the related risks that the Issuer now faces would increase. In addition, the Trust Deed will not prevent the Issuer from incurring obligations that do not constitute debt under those agreements, including trade payables. The TIM Group's inability to service its debt could have a material adverse effect on its business, results of operations, financial condition and prospects and the Issuer's ability to fulfil its obligations under the Notes.

The TIM Group will require a significant amount of cash to service its debt and sustain its operations, which it may not be able to generate or raise. The terms of the TIM Group's borrowings could materially adversely affect its financial condition.

The TIM Group's ability to make payments on and refinance its debt will depend on its future operating performance and ability to generate cash from operations. The TIM Group's ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors discussed in these "*Risk Factors*", many of which are beyond its control. It may not be able to generate sufficient cash flow from operations or obtain enough capital to service its debt or to fund future capital expenditure, acquisitions or working capital needs.

The TIM Group also faces risks that it may be unable to refinance some or all of its borrowings on similar terms to its existing debt, on terms that it deems appropriate or at all. The TIM Group's ability to refinance its borrowings or to undertake additional borrowings in the future may be affected by a number of factors, including its operating and financial performance, as well as broader market and macroeconomic conditions that are outside its control.

Additionally, the TIM Group relies on non-recourse factoring arrangements and repurchase agreements (amounting to €444 million nominal amount in aggregate as of 31 March 2023, of which €344 million expired in April 2023 and €100 million to expire in March 2024) to manage its liquidity, and its liquidity position may therefore be affected if such arrangements are no longer available on favourable terms, or at all.

If the TIM Group's future cash flow from operations and other capital resources is insufficient to pay its obligations as they mature or to fund its liquidity needs, it may be forced to:

- reduce or delay certain business activities and capital expenditures;
- sell assets or equity;
- obtain additional debt or equity capital;
- forgo strategic opportunities, such as acquisitions of other businesses; or
- restructure or refinance all or a portion of its debt, including the Notes, on or before maturity.

The TIM Group cannot assure that it would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. Any refinancing of its debt could be at higher interest rates and may require it to comply with more onerous covenants, which could further restrict the its business, financial condition and results of operations. The type, timing and terms of any future financing will depend on the TIM Group's cash needs and the prevailing conditions in the financial markets. In addition, the terms of the Notes and any future debt may limit the Issuer's ability to pursue any of these measures.

If the TIM Group is unable to access alternative financing, it may not be able to satisfy its debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-acceleration or cross-default provisions, including the Notes, may become payable on demand, and the Issuer may not have sufficient funds to repay all its debts, including the Notes.

A significant change in finance costs, whether due to higher levels of borrowing or an increase in interest payable on future borrowings, or an inability to obtain financing on acceptable terms or at all may have a material adverse effect on the TIM Group's business, results of operations, financial condition and prospects.

The Issuer depends, in part, on payments from its direct and indirect operating subsidiaries to provide it with funds to meet its debt service obligations and the presence of minority shareholders may limit the availability of funds for debt service or result in leakage. In addition, certain of our subsidiaries have non-controlling shareholders whose interests may differ from ours.

The Issuer is and will be, in part, dependent upon dividends, distributions and/or intercompany loan arrangements from certain of its direct and indirect operating subsidiaries in order to service its outstanding indebtedness, including the Notes. Certain of the Issuer's subsidiaries, including TIM S.A., are not wholly owned by the Issuer. The TIM Group also owns minority interests in certain companies. As a consequence, the net income available to be distributed by non-wholly owned subsidiaries or minority investments where the TIM Group does not have the ability to control the manner in which distributions are made to the Issuer by way of dividends or distributions is effectively diluted and any dividends or distributions from applicable subsidiaries will result in value leakage, as such minority shareholders or majority shareholders, as the case may be, will receive a *pro rata* share of any dividends and distributions and thereby reduce amounts ultimately available to the Issuer, which could be used by the Issuer to make payments on its outstanding indebtedness, including the Notes. The TIM Group may enter into strategic transactions in the future that involve the sale of majority or minority stakes in certain of its subsidiaries, including as part of the Delayering Plan, which could in the future diminish the amount of net income available to be distributed to the Issuer and there can be no assurances that the amount of the Issuer's outstanding indebtedness would be reduced in connection with any such transactions. See "*Summary—The TIM Group's Strategy—Delayering Plan*" and "*Summary—Recent Developments—Potential NetCo Separation*".

Moreover, the TIM Group operates a number of its businesses through strategic partnerships with other investors who hold a non-controlling interest in the relevant business. The TIM Group's relationships with these strategic partners are governed by various contractual arrangements, which regulate, *inter alia*, the corporate governance, management and administration of such businesses. In certain circumstances, certain material decisions regarding such subsidiaries' operations, such as capital increases, relocation of corporate domicile and other relevant matters, require the consent of non-controlling shareholders. In selected cases, the TIM Group has also undertaken to make yearly dividend distributions. The TIM Group's strategic partners may not necessarily share its views on the manner in which the relevant business should operate and may exercise their rights in a manner which is adverse to it, which, in turn, may adversely affect its business. Moreover, if the TIM Group is unable to resolve such conflicts of interest or disputes with strategic partners in an amicable way, it may be required to initiate legal proceedings, which would require it to incur significant costs and expose it to substantially uncertain outcomes. As a result, any disputes with its strategic partners could cause a material adverse effect on its business, financial condition and results of operations.

Restrictions imposed by the Trust Deed and certain of the TIM Group's other outstanding debt agreements will limit its ability to take certain actions, which may limit the TIM Group's ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Trust Deed and other outstanding debt agreements will limit the TIM Group's flexibility to operate its business.

In addition, credit facilities of the TIM Group provide for various customary representations and undertakings as well as affirmative covenants and negative covenants, including relating to acquisitions, disposals and mergers, which restrict certain aspects of the TIM Group's business, as well as events of default provisions. If the Issuer and its Subsidiaries fail to comply with any of these representations, undertakings, or covenants and are unable to remedy (if applicable) such failure or fail to obtain a waiver or consent, a default could result under such credit facilities, which could result in termination rights, acceleration rights, draw stops or increases in interest rates or fees in such credit facilities. In these circumstances, the Issuer's assets and cash flow may not be sufficient to repay in full the defaulted debt under such credit facilities or other debt instruments. If such debt was accelerated and the Issuer's financial resources were insufficient to discharge its obligations under such agreement, the Issuer could be forced into bankruptcy or liquidation.

Moreover, certain credit facilities of the Issuer include, and in the future might include, certain events of default (such as breaches of representations, warranties and undertakings and if the Issuer or certain of its subsidiaries fail to make payment when due on certain other debt) that are different from the events of default set forth in "*Conditions of the Notes*". If an event of default occurs under the Notes or any of the TIM Group's other debt instruments and is not cured or waived, the holders of the defaulted debt could terminate their commitments and declare all outstanding debt, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under the Issuer's debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand as a result of an event of default under such debt instruments. In these circumstances, the Issuer's assets and cash flow may not be sufficient to repay in full the defaulted debt and its other debt, including the Notes then outstanding. If some or all of these instruments were accelerated, the Issuer could be forced into bankruptcy or liquidation, and it may not be able to repay its obligations under the Notes in such an event.

Any future debt may include similar or other restrictive terms. These restrictions could materially and adversely affect the TIM Group's ability to finance its future operations or capital needs or to engage in other business activities or consummate transactions that may be in its best interests.

The Issuer may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature on 31 July 2028. As at 31 March 2023 upcoming medium-long term maturities of financial liabilities of the TIM Group (after lease) amounted to €2,259 million in 2023, €4,112 million in 2024, €3,419 million in 2025, €3,999 million in 2026, and €1,977 million in 2027. In addition, the TIM Group's other indebtedness may be terminated or become repayable prior to the respective maturities of the Notes. See "*—The TIM Group will require a significant amount of cash to service its debt and sustain its operations, which it may not be able to generate or raise. The terms of the TIM Group's borrowings could materially adversely affect its financial condition*". As a result, the Issuer may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if the Issuer's access to capital markets or its ability to enter new financing arrangements is reduced for any reason, it may not be able to refinance its existing debt on satisfactory terms or at all, which could have a material adverse effect on the TIM Group's business, results of operations, financial condition and prospects.

Some of the TIM Group's indebtedness bears interest at floating rates that could rise significantly, thereby increasing costs and reducing cash flow, and that may be impacted by applicable law and regulation.

A portion of the TIM Group's outstanding borrowings bear interest at floating rates, exposing the TIM Group to the fluctuations of variable interest rates based on benchmark rates such as the Euro Interbank Offered Rate ("**EURIBOR**"). Increases in the applicable benchmark rates used in the calculation of interest on these borrowings would result in higher interest expenses to service these debt levels in the future. An increase in variable and/or fixed interest rates may result in the TIM Group incurring interest expense and cash outflows in relation to these debt instruments at higher levels than anticipated, thereby reducing cash flow available for capital expenditures and hindering the TIM Group's ability to make payments on the Notes. These rates could increase significantly and for a variety of reasons, including due to changes in the monetary and interest rate policies of central banks, as well as broader macro-economic conditions in the European Union and globally. While the TIM Group may from time to time hedge a portion of its interest rate exposure, it is under no obligation to do so and any hedging activity in respect of the TIM Group's variable-rate debt may be discontinued at any time. Further, there can be no assurance that, if the TIM Group wishes to hedge its interest rate exposure, such hedging arrangements will be available to the TIM Group on commercially reasonable terms or at all.

Following allegations of manipulation of LIBOR, another measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union have conducted investigations into whether banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR.

Various interest rate benchmarks (including EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective, including the EU Benchmark Regulation (Regulation (EU) 2016/1011) and the cessation of the publication of Sterling LIBOR rates and certain tenors of U.S. dollar LIBOR rates after 31 December 2021, while others are still to be implemented. On 3 April 2023, it was announced that publication of certain tenors of U.S. dollar LIBOR settings will continue till 30 September 2024 to serve only as a temporary bridge for use in certain legacy contracts.

These reforms and other pressures may cause EURIBOR, the Sterling Over Night Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR) or other such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Based on the foregoing, investors should in particular be aware that (a) any of these reforms or pressures or any other changes to a relevant interest rate benchmark, as well as manipulative practices or the cessation thereof, could affect the level of the published rate, including to cause a sudden or prolonged increase and/or to make it more volatile than it would otherwise be, which could have an adverse impact on the TIM Group's ability to service debt that bears interest at floating rates of interest, and (b) if EURIBOR, SONIA, or SOFR (or any of their successors or other benchmarks) is discontinued, that may require amendments to the TIM Group's finance documentation that references such rate and, in relation to any of its obligations which have not transitioned to a successor rate by the relevant date, then the rate of interest applicable to such obligations may be determined for a period by applicable fallback provisions, specified in the relevant documentation for such obligations, although such provisions, if they are dependent in part upon the provision by reference banks of offered quotations, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time).

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address the Issuer's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Any adverse change in the credit ratings assigned to the TIM Group and/or to the Notes may have a negative impact on the market value of the Notes and availability of future financing. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to the rating of securities with similar structures to the Notes, as opposed to any revaluation of the Issuer's or the TIM Group's financial strength or other factors such as conditions affecting the TIM Group's industry generally.

No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgement circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of the Issuer's or the TIM Group's financings and could adversely affect the value and trading of the Notes.

RISKS RELATED TO THE NOTES

The Notes are complex instruments that are not suitable for all investors.

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes. A prospective investor may not rely on the Issuer or the Initial Purchasers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to herein.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Information Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency See "*—Prospective investors may face foreign exchange risks by investing in the Notes.*";

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Potential investors should not invest in the Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

The Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Neither the Issuer, the Initial Purchasers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

An investment in the Notes involves interest rate risks.

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes. While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, market interest rates typically change on a daily basis. As market interest rates change, the price of such security changes in the opposite direction. If market interest rates increase, the price of such security typically falls, until the yield of such security is approximately equal to the prevailing market interest rate. Conversely, if market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the prevailing market interest rate. Investors should be aware that the market price of the Notes may fall as a result of movements in market interest rates.

The market value of the Notes could decrease if the TIM Group's creditworthiness deteriorates.

The market value of the Notes will suffer if the market perceives the TIM Group to be less likely to fully perform all obligations under the Notes when they fall due. This could occur, for example, because of the crystallization of any of the risks listed in this "*Risk Factors*" section. Even if the TIM Group's ability to fully perform all obligations under the Notes when they fall due has not actually decreased, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the TIM Group could adversely change, thereby causing the market value of the Notes to fall. If any of these events occurs, third parties would only be willing to purchase Notes for a lower price than before the crystallization of these risks. Under these circumstances, the market value of the Notes could decrease.

The Notes are structurally subordinated to the indebtedness and other obligations of the Issuer's subsidiaries.

The Notes will not be guaranteed by any of the subsidiaries of the Issuer. Any claim by the Issuer or any of its creditors, including the holders of the Notes, against any subsidiaries will be structurally subordinated to all of the claims of creditors of such subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those subsidiaries, and claims of preferred and minority stockholders (if any) of those subsidiaries. The Trust Deed will not limit the transfer of assets to, or the making of investments in, any of the Issuer's subsidiaries.

In the event of insolvency, liquidation or other reorganization of any of its subsidiaries, creditors of such subsidiaries will generally be entitled to payment in full from their respective assets before the Issuer is entitled to receive any distribution from such assets as equity holders. Except to the extent that the Issuer may itself be a creditor with recognized claims against a subsidiary, claims of creditors of such subsidiary will have priority with respect to the assets and earnings of that subsidiary over the claims of the Issuer as equity holder, and there is no assurance that the claims (if any) of the Issuer as a creditor against such subsidiary may not be reduced, limited or extinguished as a result of applicable insolvency rules (such as the doctrine of equitable subordination or the rules regarding the potential avoidance of transactions concluded with related persons within a certain hardening period). Subsidiaries are also subject to liabilities to other creditors as a result of obligations incurred in the ordinary course of business (such as trade payables), which liabilities are also effectively senior to the Notes.

Claims of secured creditors of the Issuer, if any, will have priority with respect to their collateral over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The Notes will not be secured. As a result, claims of secured creditors of the Issuer, if any, will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the Notes will be effectively subordinated to any existing and future secured indebtedness and other secured obligations of the Issuer, to the extent of the value of the assets securing such indebtedness or other obligations (except to the extent such assets in the future also secure the Notes on an equal and rateable basis or priority basis). Although the Trust Deed will limit the incurrence of secured indebtedness, such limitations are subject to a number of significant exceptions.

In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Issuer at a time when it has secured obligations, holders of secured indebtedness will have priority claims to the assets of the Issuer that constitute their collateral (other than to the extent such assets in the future also secure the Notes on an equal and ratables basis or priority basis). The holders of the Notes will participate rateably with all holders of the unsecured indebtedness of the Issuer, and potentially with all their other respective general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Issuer. The claims of holders of the Notes and other unsecured creditors will also depend on whether there is any value left in the bankruptcy estate besides any secured assets. If any of the secured indebtedness of the Issuer becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, their assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes. As a result, holders of Notes may receive less, rateably, than holders of secured indebtedness of the Issuer.

The Notes contain limited provisions governing the TIM Group's operations and the Issuer's ability to merge, effect asset sales or otherwise effect significant transactions that may have a material and adverse effect on the Notes and the holders thereof.

The Trust Deed will contain limited provisions governing the TIM Group's operations and the Issuer's ability to enter into a merger, asset sale or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or its composition and its business, such as described in Condition 3.2 (*Mergers and Similar Events*). In the event the TIM Group was to enter into such a transaction, Noteholders could be materially and adversely affected.

The Issuer may not be able to obtain the funds required to repurchase or redeem the Notes or certain other outstanding indebtedness upon a Change of Control or a Network Event and the occurrence of certain important corporate or other events will not constitute a Change of Control or Network Event.

The Trust Deed will contain, and the Existing Notes and the EIB Loans contain, provisions relating to certain events constituting a "Network Event" in relation to the Issuer. In addition, the Trust Deed will contain, and certain other agreements governing the indebtedness of the TIM Group contain, provisions relating to certain events constituting a "Change of Control" in respect of the TIM Group. Upon the occurrence of an event constituting a Change of Control or a Network Event under the Trust Deed, each Noteholder shall have the option to require the Issuer to redeem (or, at the Issuer's option, to purchase) the Notes held by it (in whole but not in part) on the date which is seven days after the expiration of the Put Period (as defined in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*)) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

Our ability to redeem, repurchase or repay outstanding indebtedness that is subject to Change of Control or Network Event provisions, including the Notes, is subject to our ability to fund any such redemption, repurchase or repayment at the applicable time. Such funding may be limited by our ability to source external financing on reasonable terms, or at all. Any failure by the Issuer to comply with applicable Change of Control or Network Event provisions, including any redemption, repurchase or repayment obligations upon the exercise of a Change of Control or Network Event put option under applicable indebtedness including the Notes, upon the applicable event materializing, would constitute an event of default thereunder, which could, in turn, trigger a cross-default under other indebtedness of the TIM Group. See "*Description of Certain Other Financing Arrangements*".

The Change of Control and Network Event provisions that will be contained in the Trust Deed may not necessarily afford investors protection in the event of certain important corporate or other events that might adversely affect the value of the Notes, including certain reorganizations, restructurings, mergers, de-mergers, spin-offs, asset dispositions, change a majority of the board of directors, recapitalization or other similar transactions, because such corporate or other events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control or, as applicable, result in a Network Event, in each case as defined in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*). Except as described in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*), the Trust Deed will not contain provisions that require the Issuer to offer to repurchase or redeem the Notes or other indebtedness of the TIM Group in the event of a reorganization, restructuring, merger, de-merger, spin-off, asset disposition, change a majority of the board of directors, recapitalization or similar transaction. Further, the Trust Deed will not restrict the Issuer's ability to consummate transactions constituting a Network Event.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax for which holders may not receive additional amounts.

The Issuer is organized under the laws of Italy and is an Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by the Issuer or on its behalf in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, the Issuer will pay such additional amounts as may be necessary such that the net amounts received after such withholding or deduction shall equal the respective amounts that would have been received in regard to such Notes had no such withholding or deduction been required.

The Issuer is not liable to pay any additional amounts to holders of the Notes in certain circumstances, as described in the Condition 7.1 (*Additional Amounts*). In those circumstances, investors will receive the proceeds of their investment in the Notes net of applicable withholding or deductions. See Condition 7.1 (*Additional Amounts*) and *"Taxation"*.

In particular, holders of Notes that are not residents in White List countries, holders who are residents in White List countries that do not properly and promptly satisfy the required conditions and procedures set forth by Decree No. 239 (and by the relevant application rules to benefit from exemption from Italian taxation), and certain categories of holders of the Notes who are residents in Italy, will therefore only receive the net proceeds of their investment in the Notes and will not be paid any additional amounts to compensate them for the withholding or deduction.

Although the Issuer believes that, under current law, Italian withholding tax or substitute tax will not be imposed under Decree No. 239 where the Notes are issued by a company listed on a regulated market or multilateral trading facility of an European Union or EEA country and the holder of Notes is a resident for tax purposes in a White List country and such holder promptly and properly complies with certain certification and procedural requirements set forth by Decree No. 239 by the relevant application rules, there is no assurance that this will be the case should there be a change in applicable law or relevant procedures. See "*Taxation*". Moreover, holders of the Notes should note that they will bear the risk of any change in the White List.

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on the TIM Group's indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of 22 December 1986, as amended and restated) allows for the full tax deductibility of interest expenses incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements, plus interest income carried forward from previous fiscal years. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA *(i.e., risultato operativo lordo della gestione caratteristica,* "**ROL**") of the same fiscal year as well as 30% of ROL carried forward from previous fiscal years. The ROL is calculated on the basis of the value of the items of the company's profit and loss account, which are comprised of the operating gross revenues and expenses (excluding depreciation of tangible and intangible assets, as well as leasing fees), as determined through the application of the tax rules concerning the determination of the corporate income taxable base.

Interest expenses that are not deductible in a given fiscal year because they exceed the abovementioned thresholds may be indefinitely carried forward and deducted in the following fiscal years, up to the amount of the interest income and ROL capacity not used for interest expenses deductibility purposes in those following fiscal years. Any excess of interest income not utilized in a fiscal year (where interest expense is lower than interest income) can be carried forward indefinitely in the following fiscal years. Any excess of 30% ROL not used for the deduction of the amount of interest expense that exceeds interest income in a fiscal year can be carried forward, increasing the amount of ROL capacity for the following five fiscal years. In the case of a tax group, interest expenses not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

Based on the above rules, we may not be able to deduct all interest expenses borne in each relevant fiscal year in Italy, even if we would be able to carry forward over the following fiscal years the amounts that may not be deducted in a given fiscal year. Furthermore, any future changes in Italian tax laws or in their interpretation or application, including any future limitation on the use the ROL of the Issuer and the tax group of which it is part or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact on the TIM Group's financial condition.

There can also be no assurance that in the case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used, in whole or in part, to refinance an outstanding loan or debt, when the terms and conditions of the refinancing transaction appear less favourable than the ones of the previous financing transaction. In particular, in such circumstances, the relevant tax authorities could argue that the interest expenses arising from such financing does not relate to the business of the borrowing entity (as the relevant transaction is deemed as "anti-economic" and as such not compliant with the "inherence" principle set out under Italian tax law). There can be valid defences against such challenge to the extent the taxpayer is able to demonstrate that the transaction as a whole is based on rational and economic reasons with a view to generate utility (in terms of overall economic benefit) for the company, even if only in the future. Italian tax laws and pronouncements of the tax authorities are subject to change and positions that the TIM Group takes for tax purposes may be challenged.

Moreover, (i) any future changes in Italian tax laws or in their interpretation or application (including any future limitation on the use of the ROL of the TIM Group), (ii) the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense, or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax law may result in its inability to fully deduct its interest expense, which may have an adverse impact on the TIM Group's financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the use of proceeds from the Offering to make a refinancing under the "inherence" principle, the TIM Group may be unable to fully deduct its interest expenses or be subject to significant penalties or other consequences that could have a material adverse effect on the TIM Group's financial condition and results of operations or on the TIM Group's ability to service or otherwise make payments on the Notes and its other indebtedness.

No assurance can be given that the procedural requirements provided by Decree No. 239 will be met.

The exemption from withholding tax in principle granted to holders of the Notes who are the beneficial owners of the Notes (or, if the holders are institutional investors not subject to tax, even if they are not the beneficial owners of the Notes) and are resident in countries included in the White List applies if certain procedural requirements are met. No assurance can be given that all non-Italian resident investors will be eligible for the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures for applying the exemption regime. Should the procedural requirements not be met, Italian income withholding tax or substitute tax may apply on the payments made on the Notes to foreign investors resident in countries included on the White List. In such event, the Issuer will not be required to pay any additional amounts with respect to such withholding tax or substitute tax.

There is no established trading market for the Notes and no assurance that the holders of the Notes will be able to sell them.

The Notes are new securities for which there is currently no established market. TIM has made an application to list the Notes on the Official List of the Exchange and admit them to trading on the professional segment of its Euro MTF Market thereof, but cannot guarantee the liquidity of any market that may develop for the Notes, the ability of the holders of the Notes to sell such Notes or the price at which they may be able to sell such Notes.

Liquidity and future trading prices of the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions.

The Initial Purchasers of the Notes have advised the TIM Group that they intend to make a market in the Notes, as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to make a market in the Notes and, if commenced, may discontinue their market making activities at any time without notice. In addition, the ability of the Initial Purchasers to make a market in the Notes may be impacted by changes in any regulatory requirements (including as a result of regulatory developments such as the SEC's interpretation of Rule 15c2-11 and its application to debt securities) applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes.

Therefore, an active market for the Notes may not develop or be maintained, which may adversely affect the market price and liquidity of the Notes. In such case, the TIM Group cannot assure the investors as to the liquidity of any market in the Notes, the investor's ability to sell their Notes or the prices at which they will be able to sell their Notes. If a trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- the TIM Group's operating performance and financial condition;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

In addition, changes in the overall market for non-investment grade securities and changes in the TIM Group's financial performance in the markets in which it operates may adversely affect the liquidity of any trading market in the Notes that does develop and any market price quoted for the Notes. As a result, the TIM Group cannot ensure that an active trading market will actually develop for the Notes or that, if developed, such market will be maintained.

Historically, markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in the prices of such debt. Any market for the Notes may be subject to similar disruptions. Any such disruptions may affect the liquidity and trading of the Notes independent of the TIM Group's financial performance and prospects and may have an adverse effect on the holders of the Notes.

Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

The Notes may not become, or remain, listed on the Exchange.

Although the Issuer intends to have the Notes listed on the Official List of the Exchange and to have them admitted to trading on the professional segment of the Euro MTF Market and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure prospective investors that the Notes will become or remain listed. If the Issuer cannot maintain the listing of the Notes on the Official List of the Exchange or it becomes unduly onerous to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Exchange, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange in accordance with the Trust Deed, failure to be approved for listing or the delisting of the Notes from the Official List of the Exchange or another stock exchange in accordance with the Trust Deed may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Investors who hold less than the minimum specified denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

The Notes have denominations consisting of the minimum specified denomination of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000 and as such it is possible that such Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Holders of the Notes will not be entitled to registration rights, and TIM does not currently intend to register the Notes under applicable securities laws. There are restrictions on investors ability to transfer or resell the Notes.

The Notes are being sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws, and TIM does not currently intend to register the Notes. The holders of the Notes will not be entitled to require TIM to register the Notes for resale or otherwise. Therefore, investors may transfer or resell the Notes in the U.S. only in a transaction registered under or exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws, and investors may be required to bear the risk of their investment for an indefinite period of time. See "*Subscription and Sale and Transfer and Selling Restrictions*". TIM has not agreed to or otherwise undertaken to register any of the Notes and does not have any intention to do so.

Decisions at Noteholders' meetings bind all Noteholders and Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances.

The Conditions of the Notes (at Condition 14.1 (*Meetings of Noteholders*)) and the Trust Deed (at Schedule 3 (*Provisions for Meetings of Noteholders*) contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the terms and conditions relating to the Notes and the waiver of rights that might otherwise be exercisable against the Issuer. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend or were not represented at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Any such modifications to the Notes may have an adverse impact on Noteholders' rights and on the market value of the Notes.

Further, the provisions relating to Noteholders' meetings (including quorums and voting majorities) are subject to compliance with certain mandatory provisions of Italian law, which may change prior to the maturity date of the Notes. In addition, as currently drafted, the rules concerning Noteholders' meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders' meetings where the issuer is an Italian listed company. Furthermore, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-laws.

Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings that will be contained in the Trust Deed will correctly reflect mandatory provisions of Italian law applicable to Noteholders' meetings at any future date during the life of the Notes.

The Trust Deed will contain provisions which may permit its modification without the consent of all investors and confer significant discretion on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Trust Deed will contain provisions for convening meetings of Noteholders to consider and vote upon matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trust Deed will also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14.2 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination*).

Prospective investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in Euro. An investment in the Notes denominated in a currency other than the currency by reference to which Noteholders measure the return on their investments will entail foreign exchange related risks due to, amongst other factors, possible significant changes in the value of the euro relative to other relevant currencies because of economic, political or other factors over which the Issuer has no control. Depreciation of the euro against other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to Noteholders when the return on the Notes is translated into the currency by reference to which Noteholders measure the return on their investments. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Notes.

In addition, despite the measures taken by countries in the Eurozone to alleviate credit risk, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone member states. These and other concerns could lead to the reintroduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. The Issuer cannot assure that the official exchange rate at which the Notes may be redenominated would accurately reflect their value in euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

Early redemption of the Notes may reduce the yield expected by the holders of the Notes.

The Notes will be subject to certain optional redemption features, exercisable at the discretion of the Issuer, enabling the Issuer to redeem the Notes, in whole or in part, as applicable, in the circumstances and at the redemption prices specified in Condition 6.2 (*Redemption for Taxation Reasons*) and Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*). In the event that the Issuer exercises its option to redeem the Notes, in whole or in part, prior to the Maturity Date, Noteholders may suffer a lower than expected yield and may not be able to reinvest the redemption proceeds in securities offering a yield or risk profile that is comparable to that of the Notes. Prospective investors should consider investment and reinvestment risks in light of other investments available to them at the time of such investment or reinvestment.

Total remuneration under the Notes will be automatically reduced if it exceeds the anti-usury cap levels set under Italian law.

Under Italian law, any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, to pay any portion of remuneration applicable to the Notes (including interest, default interest, fees, charges, expenses and other costs and any other form of compensation related to the Notes) in excess of the thresholds permitted under Italian law no. 108 of 7 March 1996, as amended from time to time and related implementing rules and regulations (the "**Italian Usury Law**") may not be enforceable. Although the applicability of the Italian Usury Law to securities such as the Notes (and, among others, related original issue discounts and make-whole payments that may be due under the applicable indenture) remains untested, the Trust Deed will provide that, if the remuneration applicable to the Notes (including interest, default interest, fees, original issue discounts, premium, charges, expenses and other costs and any other form of compensation related to the Notes (the "**Total Remuneration**")) at any time exceeds the maximum remuneration permitted under the Italian Usury Law, then the Total Remuneration will immediately and automatically be reduced to the maximum remuneration permissible under the Italian Usury Law for, and limited to, the period during which it is not possible to apply the remuneration as originally provided. This will result in a change of the economic terms of the Notes which, in turn, may adversely impact the rights of the holders of the Notes and may have a material adverse effect on the market value of the Notes.

The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favourable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar.

The Issuer is organized and is likely to have its centre of main interests under the laws of Italy. The insolvency laws of Italy may not be as favourable to Noteholders' interests as the laws of the U.S. or other jurisdictions with which Noteholders may be familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit

Noteholders' ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding and preference periods. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect Noteholders' ability to enforce Noteholders' rights in Italy and limit any amounts that Noteholders' may receive.

In addition, Italian insolvency laws and regulations have recently been replaced by a new crisis and insolvency code – introduced by virtue of, among others, Legislative Decree No. 14 of 12 January 2019 implementing the guidelines contained in Law No. 155 dated 19 October 2017 (as subsequently amended and supplemented, the "**Insolvency Code**", also known as "**Code of Business Crisis and Insolvency**") (*Codice della Crisi d'Impresa e dell'Insolvenza*) – being a comprehensive and in material respects innovative legal framework regulating, among others, insolvency matters. Other than for minor changes in certain provisions of the Italian Civil Code, which already entered into force on 16 March 2019, the Insolvency Code came into force starting from 15 July 2022. The previous Bankruptcy Law continues to apply to filings for declaration of insolvency procedures and bankruptcy restructuring plans (*concordato fallimentare*) and filings seeking the approval of debt restructuring agreements (*accordo di ristrutturazione dei debiti*) or the opening of a composition with creditors proceeding (*concordato preventivo*), in each case filed or pending before 15 July 2022. As of the date of this Information Memorandum, the vast majority of the provisions of the Insolvency Code are untested in Italian courts and there is no guidance or case law available yet on its application. Considering the sweeping nature of this reform and the absence of judicial guidance, the impact cannot be predicted or fully assessed as of the date of this Information Memorandum.

The value of the Notes could be adversely affected by a change in the English or Italian law or administrative practice.

The Conditions of the Notes are based on English law in effect as at the date of this Information Memorandum. In addition, certain sections of the Trust Deed will be subject to compliance with Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Information Memorandum and any such change could materially adversely impact the value of any Notes affected by it. See also "*—Decisions at Noteholders' meetings bind all Noteholders and Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances*".

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The expected sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, the issue price of the Notes (which for the purpose hereof do not give effect to any issue premium or discount), the amount of Tendered Notes and timing of the completion of the Transactions. See "*Summary—The Transactions*" for more information.

Sources of Funds		**Uses of Funds**	
	€ in millions		**€ in millions**
Notes offered hereby[1]	750	Repayment of short-term debt maturities and general corporate purposes [2].........................	750
Total Sources	**€750**	**Total Uses ....**	**€750**

[1] Represents the aggregate principal amount of the Notes offered hereby.

[2] Reflects the aggregate principal amount expected to be used to repay short term debt maturities (which may include settling the Tender Offer in accordance with the Tender Offer Memorandum and in the Issuer's sole and absolute discretion), for general corporate purposes, and/or to pay any fees and expenses in connection with the Transactions. Such fees and expenses are estimates and include commitment, placement, financial advisory and other transaction costs and professional fees. The amount of fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimate of fees and expenses and the actual fees and expenses as of the completion of the Transactions.

CAPITALISATION

The following table provides the cash and cash equivalents, the current financial liabilities (short-term debt) of the TIM Group in accordance with IFRS as of 31 March 2023 and the capitalisation of the TIM Group (i) on an actual basis, and (ii) as adjusted to give effect to the Transactions as set forth under "*Use of Proceeds*".

Noteholders should read the below table together with "*Use of Proceeds*", "*Description of Certain Other Financing Arrangements*" and the Consolidated Financial Statements included elsewhere in this Information Memorandum.

Certain amounts set forth below are based on an exchange rate as of 31 March 2023, of €1 = BRL 5.57246.

	As of 31 March 2023	
	Historical	**As Adjusted**
	(unaudited)	
(€m)		
Cash and cash equivalents[1]	**2,660**	**2,810**
Current financial liabilities (short-term debt) [2]	**6,007**	**5,407**
Finance liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—
Non-current financial liabilities (long-term debt):		
Bonds[3]	15,253	15,253
Notes offered hereby[4]	—	750
Amounts due to banks, other financial payables and liabilities	5,924	5,924
Non-current financial liabilities for lease contracts	4,684	4,684
Total Non-current financial liabilities (a)	**25,861**	**26,611**
Equity:		
Share capital	11,620	11,620
Additional Paid-in capital	2,133	2,133
Other reserves, retained earnings, including profit (loss) for the period	710	710
Equity attributable to owners of the Parent	14,463	14,463
Non-controlling interests	3,706	3,706
Total equity (b)	**18,169**	**18,169**
Total capitalisation (a+b)	**44,030**	**44,780**

(1) As Adjusted cash and cash equivalents represent cash and cash equivalents after giving pro forma effect to the issuance of the Notes, assuming the Notes are issued without any original issue discount, and the application of proceeds therefrom (including the settling of the Tender Offer in accordance with the Tender Offer Memorandum) as if these transactions had occurred on 31 March 2023. Given ordinary course movements in the TIM Group's cash and cash equivalents, the amount of cash and cash equivalents presented above does not reflect the actual amount of cash and cash equivalent of the TIM Group as of the date of this Information Memorandum or as of the Issue Date.

(2) As Adjusted amount reflects the amount of Tendered Notes expected to be tendered in connection with the Tender Offer. See "*Summary−Recent Developments−Tender Offer*".

(3) As Adjusted amount excludes (i) the repayment at maturity of £375 million aggregate principal amount of EMTNs on 19 May 2023; and (ii) the issuance of €400 million aggregate principal amount of Additional 2028 Euro Notes on 12 April 2023.

(4) Represents the aggregate principal amount of the Notes offered hereby.

Except as described above, there has not been any material change in the capitalisation of the TIM Group since 31 March 2023. For further information, see also "*Description of Certain Other Financing Agreements*".

THE ISSUER

The legal name of the company is Telecom Italia S.p.A., also named "TIM S.p.A.".

The annual shareholders meeting held on 25 May 2016 approved an amendment to the company's bylaws, permitting the company to be named "Telecom Italia S.p.A." or "TIM S.p.A.".

TIM is a joint-stock company established under Italian law on 29 October 1908, with registered offices in Milan at Via Gaetano Negri 1. The telephone number is +39 (02) 85951. TIM is recorded in the Milan Companies Register with number 00488410010, R.E.A. (*Repertorio Economico Amministrativo*) with number 1580695 and R.A.E.E. (*Rifiuti di Apparecchiature Elettriche ed Elettroniche*) register at number IT08020000000799.

The duration of TIM, as stated in the company's by-laws, extends until 31 December 2100.

TIM's website is https://www.gruppotim.it/en.html. The information on https://www.gruppotim.it/en.html does not form part of this Information Memorandum.

After the effectiveness of the demerger of Telco S.p.A. (previously the largest shareholder of TIM and whose investors were Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A. and Telefonica S.A.), on 24 June 2015, Vivendi, an integrated media and content group based in France, became TIM's largest shareholder with an ownership stake in TIM equal to 14.9% of TIM's ordinary shares. In the following months, Vivendi further increased its shareholding in TIM and, as of 7 July 2023, Vivendi holds 23.75% of the ordinary share capital of TIM. Vivendi does not hold Savings Shares and does not have different voting rights in meetings of ordinary shareholders of TIM.

TIM's principal shareholders are Vivendi S.A. and its subsidiaries (the "**Vivendi Group**") and Cassa Depositi e Prestiti S.p.A. and its subsidiaries (the "**CDP Group**"). As of 31 March 2023, on the basis of the results of TIM's shareholders' register, communications made to CONSOB and to TIM pursuant to art. 120 of the Italian Legislative Decree no. 58 of 24 February 1998, TIM's principal shareholders' shareholdings in the ordinary share capital of TIM is as follows:

		(As of 31 March 2023)	
	Type of ownership	**No. Ordinary Shares**	**% of ordinary share capital**
Vivendi Group..	(direct)	3,640,109,990	23.75
CDP Group..	(direct)	1,503,750,000	9.81

As of the date of this Information Memorandum no further information about the shareholders' ownership is available.

TIM's business objectives can be found in Article 3 of its by-laws.

BUSINESS OF THE TIM GROUP

Overview

TIM S.p.A. or Telecom Italia S.p.A. ("**TIM**"), together with its direct and indirect consolidated subsidiaries, (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. The TIM Group provides 30.2 million mobile lines (including both "human" SIM and Machine to Machine ("**M2M**")) and 15.7 million fixed line broadband accesses (including both retail and wholesale accesses, of which 10.7 million are ultrabroadband lines) in Italy and 61.7 million mobiles lines in Brazil, each as of 31 March 2023.

History

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

On 18 July 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 12 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 21 May 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 4 August 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A."

On 30 June 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. In 2003, it launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer the new technology. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry.

TIM Group Operations

The TIM Group currently operates its business through a vertically integrated model, which 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 broadband, pay-TV, landline voice and mobile) using primarily its own fixed-line and mobile infrastructure. As of 31 December 2022, the TIM Group holds a leading position in Italy across both the fixed broadband and mobile (total SIM) markets, with market shares of approximately 40% and approximately 28%, respectively by number of lines (Source: AGCOM (Communication market monitoring system no. 1/2023)). As of 31 March 2022, TIM's 4G mobile network covers over 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to 10 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 its attention on its ongoing investments in its 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 31 March 2023, the TIM Group provided approximately 15.7 million fixed line broadband accesses (including both retail and wholesale accesses). Further, as of 31 March 2023, the TIM Group also provides approximately 30.2 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group 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.

The TIM Group is an infrastructure-based ICT in Italy, managing 16 data centres in 8 cities (within 50,000 sqm, of 100MW) to guarantee the maximum levels of operation, security and energy efficiency.

Additionally, the TIM Group is in the process of upgrading its access network from copper to fiber, to reduce its operational costs and reducing its capital expenditure requirements.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated 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 Council of Minsters on 28 February 2022, aimed at assuring, through to 31 December 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 8 April 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 31 March 2023, the TIM Group held 24.6% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of 31 March 2023, the TIM Group provides 61.7 million mobile lines in Brazil, and its mobile network covers areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Movel 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 expects that, with the acquisition of Oi, it will become the number one player among Brazilian competitors in terms of cities covered, population served and spectrum per client, and its Brazilian market share, as of 31 December 2021, will increase from approximately 20% (pre Oi acquisition) to approximately 27% (with market share, as of 31 December 2021, in parts of Brazil increasing from 13.1%, 23.3%, 11.2%, 18.2% and 31.5% to 21.2%, 26.5%, 26.8%, 25%, 36.8%, respectively). The TIM Group is in the process of consolidating entities acquired as a part of the Oi acquisition with the TIM Group. Prior to the acquisition, Oi and the TIM Group operated under a memorandum of understanding since 2012 in relation to joint use of 4G networks under a radio access network sharing model.

Key Strengths

TIM believes that it benefits from the following key strengths:

The TIM Group is a leading player in the Italian telecommunications market, which 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, mobile and wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, further accelerated by the entrance of Iliad, the mobile and fixed 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 TIM Group competes in the underpenetrated Italian broadband market, where it sees considerable room for growth. Due to the lack of cable infrastructure and difficult morphology, only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of 31 December 2022 (Source: "Digital Economy and Society Index 2022" – European Commission). This has resulted in FTTC connections, with average distance between cabinets and premises among the shortest in Europe ensuring high connection speeds, remaining resilient and highly cash generative in the Italian market, also in light of the limited alternatives available. As a result of this, the FTTH market in Italy also remains underpenetrated, at 13% as compared to an average of 35% across the European Union as of 30 September 2022 (Source: FTTH Council, April 2023).

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, such as remote working, home schooling, and greater adoption of virtual social interactions.

In the enterprise segment (which mainly focuses on large corporates and public administration), relevant drivers for data traffic growth include cloud, 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, fixed and mobile data traffic has almost doubled and tripled, respectively, in the three years preceding the year ended 31 December 2022.

TIM also competes in the IT services, which has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended 31 December 2022, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.1 billion (representing approximately 36% of the spending in the total market) spent on IoT; (ii) approximately €4.1 billion (representing approximately 66% of the spending in the total market) spent on cloud services; (iii) approximately €0.8 billion (representing approximately 45% of the spending in the total market) spent on advanced connectivity services; (iv) approximately €1.4 billion (representing approximately 63% of the spending in the total market) spent on security services; (v) approximately €2 billion (representing approximately 45% of the spending in the total market) spent on traditional connectivity services; and (vi) approximately €10.6 billion (representing approximately 79% of the spending in the total market) spent on other IT services. 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 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 favour local players, thus allowing it 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 2025), (ii) cloud services (which is expected to grow by a CAGR of approximately 16% between 2022 and 2025), (iii) advanced connectivity services (which is expected to grow by a CAGR of approximately 18% between 2022 and 2025) and (iv) security (which is expected to grow by a CAGR of approximately 8% between 2022 and 2025), which is offset by reduction in spending on traditional connectivity services (which is expected to reduce by a CAGR of approximately 8% between 2022 and 2025) and other IT services (which is expected to reduce by a CAGR of approximately 4% between 2022 and 2025).

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 assigned 7 lots under the "Italia 1 Giga" initiatives (representing approximately 1.2 million technical households), all available lots under the "5G backhauling" initiative (representing over 11,000 mobiles sites) and "5G densification" initiative (representing over 1,200 mobile sites), 2 lots under the "connected healthcare" initiative (representing approximately 3,100 healthcare facilities) and 4 lots under the "connected schools" initiative (representing approximately 5,900 schools).

The TIM Group holds a resilient incumbent position and leading market share in Italy in its fixed, mobile and enterprise segments.

The TIM Group is the incumbent telecommunications operator in Italy with a highly resilient business model partly due to its ability to offer full-service solutions (including broadband, pay-TV, landline voice and mobile) using primarily its own fixed line and mobile infrastructure.

The TIM Group benefits from a leading position across the fixed retail Italian market (including voice and fixed broadband) with a 40% market share as compared to 16.8%, 14.4%, 14.3% and 4.5% for the next four competitors and 10% for the remaining players, as of 31 December 2022. In the mobile market in Italy (including mobile voice and mobile broadband, and including both "human" SIM and M2M), the TIM Group benefits from a 28.4% market share as compared to 27.5%, 24.2%, 8.9% and 4.2% for the next four competitors and 6.8% for the remaining players, as of 31 December 2022 (Source: AGCOM Communication market monitoring system no. 1/2023). The TIM Group's service offering is best in class 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 infrastructure-based ICT player in Italy and benefits from a leading position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment through the Domestic Business Unit. The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 10,000 customers. Moreover, the TIM Group holds 40% 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 machine-to-machine 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 10% 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 market share of approximately 50% with respect to connectivity services and 15% with respect to IT services in Italy as of 31 March 2023. 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 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 telecom 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 TIM 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 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, infrastructure and know-how comprising its extensive and reliable fixed and 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 telecom sector in Italy, with a brand awareness of 52% and a top-of-mind, from June 2022 to 19 April 2023, at 31% among a consumer target population representative of the broader Italian population according to MPS Research – TLC ADV tracking MPS – weekly Report. The TIM Group's leading market positions in Italy in mobile, fixed and wholesale further underscores the strength of its brands among Italian consumers. The TIM Group is also well-advertised throughout Italy, acting as the title sponsor for Lega Serie A as well as a sponsor for the popular music events in Italy, partnering with key testimonial and opinion leaders as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to remain relevant for different target groups, across different 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 able to leverage its extensive and reliable infrastructure and asset base 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.

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. In particular, as of 31 March 2023, the TIM Group has provided approximately 15.7 million fixed line broadband accesses (including both retail and wholesale accesses). TIM's FTTx coverage was over 95% on active lines. The TIM Group is also progressing the upgrade of the access network from copper to full-fiber. The shift from copper to fiber is expected to reduce operational costs and result in slowing capital expenditure requirements.

TIM Enterprise is an infrastructure-based ICT player in Italy in light of its assets base, which spans from telecommunication assets to the largest proprietary data centre footprint in the country, with 16 data centres, of which 7 are "tier four", as of 31 March 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 Domestic Business Unit 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. These improvements reflect the TIM Group's focus on better services and the shift to a more digital customer service model. The quality of its customer service both in its physical locations and through its online presence has improved customer satisfaction. Specifically, it benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top 10 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 fixed and mobile infrastructure are further strengthened by ongoing future-proofing investment program.

As of 31 March 2023, the TIM Group benefits from more than 79% market share in the overall fixed services market, retail and wholesale, and its FTTH coverage was approximately 33% of technical units covered as of 31 March 2023.

Moreover, 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 462 municipalities as of 31 March 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 30.2 million mobile lines (including both "human" SIM and M2M) in Italy as of 31 March 2023. TIM 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 in the spread of videos and gaming experience. Moreover, as of 31 December 2022, the TIM Group's 4G network covered over 99% of the national population, the highest in Italy. The TIM Group's 4G network covered approximately 99% of the national population for the years 2018 to 2021, over 98% of the national population in 2017, over 96% of the national population in 2016 and 88% of the national population in 2015. As such, the TIM Group believes that it is well positioned to satisfy the market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation fixed and mobile 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. The TIM Group intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage by 2025, from approximately 33% as of 31 March 2023 and approximately 25% as of 31 December 2022.

The TIM Group also intends to continue to update and expand its mobile network, which it expects to significantly expand 5G coverage to around 90% of the Italian population by 2025 in line with its 5G 700MHz 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 700MHz, 1x80MHz in 3.7GHz and 1x200MHz in 26GHz), further consolidating its leadership 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 (800MHz, 1800MHz, etc.) 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 network for its customers. The TIM Group believes that the growth in data traffic will increase utilization of its fiber 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 Italia 1Giga, 5G backhauling, 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 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 251 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 45.7 million fixed lines, as of 31 March 2023 (source ANATEL). 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 31 March 2023, the Brazil Business Unit had approximately a 24.6% 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 with an EBITDA margin of approximately 45% and an operating cash flow margin of approximately 23%, in each case as of 31 March 2023. As of 31 December 2022, the Brazil Business Unit had an EBITDA margin of 47%, in comparison to 47%, 40%, 40%, 39% and 36% EBITDA margins of its five principal competitors, and an operating cash flow margin (calculated as ratio of EBITDA less capex to revenue) of 26%, in comparison to the 22%, 22%, 22%, 20% and 3% operating cash flow margins of its five principal competitors.

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, 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 38% for the year ended 31 December 2022; slightly better than comparable European peers with an average Organic EBITDA margin of approximately 36%.

The TIM Group generated Organic EBITDA-AL of €1,189 million in the three months ended 31 March 2023. See "*Summary Consolidated Financial and Other Information*". Moreover, the Domestic Business Unit, which contributed approximately 73.3% to the TIM Group's Organic EBITDA-AL in the three months ended 31 March 2023, benefits 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 its Transformation Plan as well as a prudent capital expenditure policy. Specifically, the TIM Group's Transformation Plan includes long-term targets regarding savings on labour and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labour and cost optimization. See "*Summary—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 three months ended 31 January 2023, in comparison to 1.1%, 1.1%, 1.0% and 1.1% for the three months ended 31 January 2022, 30 June 2022, 30 September 2022, and 31 December 2022, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.2% for the three months ended 31 January 2023, in comparison to 1.2%, 1.1%, 1.0% and 1.1% for the three months ended 31 January 2022, 30 June 2022, 30 September 2022, and 31 December 2022, respectively. Additionally, for the three months ended 31 March 2023, compared to the three months ended 31 March 2022, our net adds improved and consumer fixed ARPU (net of activation fee) increased by 1.4%.

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 1 January 2023. 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 31 December 2023 on a full-year run rate basis, in comparison to year ended 31 December 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.

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 in November 2021 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 31 December 2016, to a market leader with an EBITDA margin of 46% margin for the year ended 31 December 2022. The TIM Group’s senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy & Business Development Officer, Elio Schiavo as Chief Enterprise & Innovative Solutions Officer, Andrea Rossini as Chief Consumer, Small & Medium Market Officer and Elisabetta Romano as Chief Network Operations & Wholesale Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience.

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 and 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 Delayering Plan discussed under “*—The TIM Group’s Strategy—Delayering Plan*”. The TIM Group’s management has also enacted the Transformation Plan with ambitious cost-cutting targets, and for the three months ended 31 March 2023, management has achieved €200 million of savings. See “*—The TIM Group’s Strategy—Transformation Plan*” for more details.

The TIM Group’s Strategy

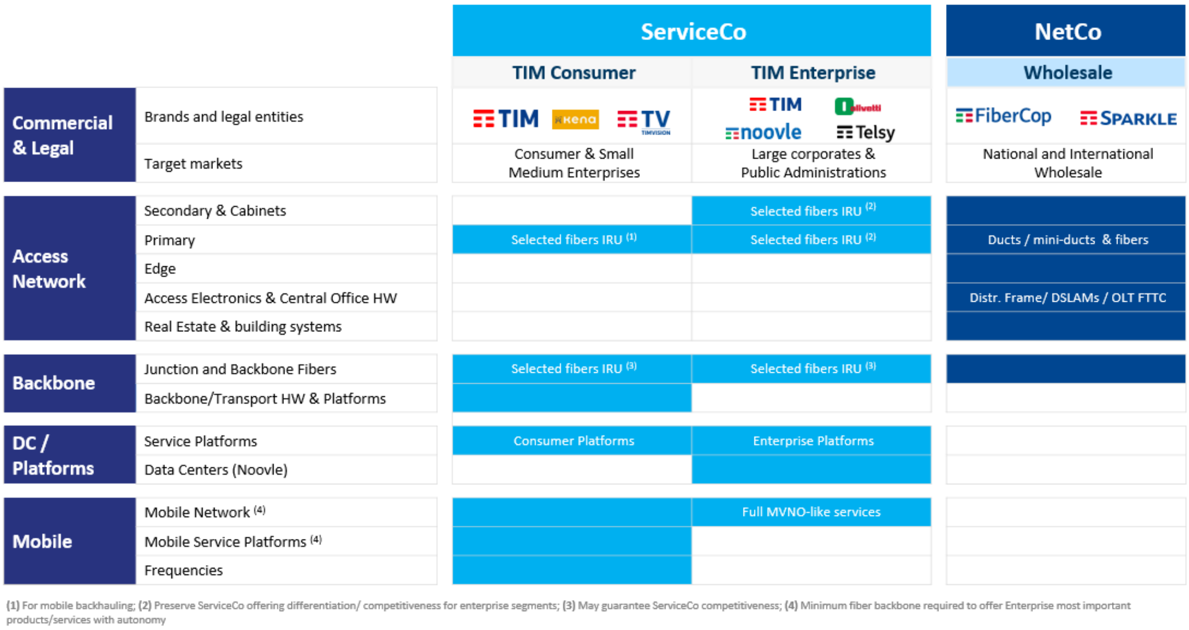
Delayering Plan

As of the date of this Information Memorandum, the TIM Group is in the process of reorganizing its business segments with the objective of separating its fixed-line network infrastructural assets and shifting from its existing vertically integrated business model to a new horizontal structure comprised of four business segments: TIM Enterprise, TIM Consumer, TIM Brasil and NetCo, each of which are described below (the “**Delayering Plan**”). The Delayering Plan was conceptually approved by the board of directors of TIM (the “**Board**”) on 3 March 2022 and, on 6 July 2022, the Board approved the formulated plan (the “**2022-2024 Industrial Plan**”). On 14 February 2023, the Board approved the continuation of the Delayering Plan for 2023-2025 (the “**2023-2025 Industrial Plan**”). The process for setting up the legal entities to give effect to the reorganization was set into motion on 9 November 2022. However, in the Consolidated Financial Statements and in this Information 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—Operating Segments*” for more details. As such, in this Information Memorandum, the TIM Group do not present the TIM Group business in terms of the new organizational model.

The TIM Group operates in a highly regulated and competitive market. The four proposed business segments operate in distinct markets and face different competitive dynamics and business trends, each with their specific industrial focus and economics. Reorganizing the TIM Group around these four business segments is intended to allow each segment to pursue its own focused strategy. Such organizational change allows management to focus on clear and business specific KPIs to measure success in order to facilitate efficient management and improved capital allocation. The main purpose of the delayering strategy is “industrial”, which translates into unlocking growth and achieving better operational results while also focusing on efficiencies and funding the investments that will shorten the path to sustainable cash generation. It is intended to increase value in the medium to long term, the valorization of long-term assets and debt sustainability.

The separation of NetCo under the Delayering Plan is expected to create a network company with improved accountability within a dedicated infrastructure perimeter, thereby making it easier for NetCo to enter into partnerships. Further, any potential Deconsolidation of Netco is expected to lead to an improved regulatory environment for TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with wholesale-only entrants (Art. 80 EU European Electronic Communications Code) to the market. It will also promote investment in fiber and migration and decommissioning of, the prior infrastructure. The Delayering Plan also opens up several strategic options in order to: (i) achieve substantial deleveraging aimed at achieving a long-term sustainable capital structure; (ii) potentially capture in-market consolidations to accelerate growth and strategy implementation; (iii) improve capital allocation and reduce overbuild; (iv) improve risk profile and return on capital; (v) achieve better visibility on group assets, making it attractive for private capital; and (vi) retain financial flexibility.

The following chart presents the main business segments of the TIM Group in Italy following the implementation of the Delayering Plan:



		ServiceCo		NetCo
		TIM Consumer	TIM Enterprise	Wholesale
Commercial & Legal	Brands and legal entities	TIM Kena TV TIMVISION	TIM Olivetti noovle Telsy	FiberCop SPARKLE
	Target markets	Consumer & Small Medium Enterprises	Large corporates & Public Administrations	National and International Wholesale
Access Network	Secondary & Cabinets		Selected fibers IRU (2)	■
	Primary	Selected fibers IRU (1)	Selected fibers IRU (2)	Ducts / mini-ducts & fibers
	Edge			■
	Access Electronics & Central Office HW			Distr. Frame/ DSLAMs / OLT FTTC
	Real Estate & building systems			■
Backbone	Junction and Backbone Fibers	Selected fibers IRU (3)	Selected fibers IRU (3)	■
	Backbone/Transport HW & Platforms	■		
DC / Platforms	Service Platforms	Consumer Platforms	Enterprise Platforms	
	Data Centers (Noovle)		■	
Mobile	Mobile Network (4)	■	Full MVNO-like services	
	Mobile Service Platforms (4)	■		
	Frequencies	■		

(1) For mobile backhauling; (2) Preserve ServiceCo offering differentiation/ competitiveness for enterprise segments; (3) May guarantee ServiceCo competitiveness; (4) Minimum fiber backbone required to offer Enterprise most important products/services with autonomy

Following implementation of the Delayering Plan, ServiceCo is expected to provide the following services to NetCo: (i) services to implement wholesale services requiring IP transport, until such time as NetCo builds its own backbone; (ii) usage of patents, telephony, internet and computers, at the start-up stage; and (iii) management of IT/OSS assigned to ServiceCo for the interim period. Additionally, NetCo is expected to provide the following services to ServiceCo: (i) access services needed to implement retail services (ISO-CSP service purchase, ADSL via interconnection to DSLAM, UBB via VULA purchase over FTTx networks (VULA C, VULA H), business fiber connections or backhauling of SRBs through access fiber purchase beyond those in IRU at carve out); (ii) space occupancy and energy for industrial and office and commercial use; (iii) operation and maintenance on ServiceCo owned network components; (iv) installation and configuration of equipment and assurance activities; and (v) management of shared IT Systems and platforms assigned to NetCo.

ServiceCo: TIM Enterprise, TIM Consumer and TIM Brasil

The ServiceCo segment will comprise the TIM Group's service businesses in Italy (TIM Enterprise, at a business-to-business level, and TIM Consumer, at a business-to-consumer or retail level) and TIM Brasil. The clear separation from the NetCo segment under the Delayering Plan will facilitate strategic flexibility and any potential Deconsolidation of NetCo is expected to be key to an improved regulatory environment for TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with wholesale-only entrants to the market and with reduced limitations under applicable competition laws. Moreover, the ServiceCo segment may also benefit from potential upsides, such as in-market consolidation if this were to materialize.

(i) *TIM Enterprise*

The TIM Enterprise business unit will be an infrastructure-based ICT player in Italy and will benefit from a leading position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment through the Domestic Business Unit, providing the following end-to-end ICT offerings:

- *Managed and professional services*: Accounting for 30-40% marginality observed in the market (calculated as revenues less direct costs, including operating expenditure contribution, "**Marginality**"), 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*: Accounting for 40-50% Marginality, this will include cloud solutions for modern workplace, customer experience, modern applications, digital marketplaces and trusted services. It will also include security solutions (25-35% Marginality) for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT vertical solutions (25-35% Marginality).

- *Cloud infrastructure*: Accounting for 20-40% Marginality, this will include TIM Cloud, Google Cloud, Edge Cloud and third-party cloud.

- *Data centre and Edge*: Accounting for 20-40% Marginality, this will include offerings data centre 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 market; and providing 2G, 4G, 5G, human and M2M, devise and technical assistance offering and 5G private network offerings in the mobile market.

The TIM Enterprise business unit will be one of the leading ICT providers for large enterprises, serving approximately 10,000 customers. Moreover, the TIM Enterprise business unit will hold the TIM Group's 40% 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 machine-to-machine 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 unit will also benefit from approximately 10% 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 unit will also be a leader and will have a unique position in the provision of services for public administration, with approximately 25,000 clients and a market share of approximately 50% with respect to connectivity services and 15% with respect to IT services in Italy as of 31 March 2023. 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 unit will be 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 telecom 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 unit 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 connect network, (iii) 16 directly owned data centres, of which 7 are "tier four", as of 31 March 2023; and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of our top 10 clients of more than 20 years, as of 31 March 2023); (ii) an unparalleled asset base with 16 proprietary data centres; (iii) a proprietary backbone in strategic areas; and (iv) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft and VMWare makes the TIM Enterprise business unit 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, this convergence will only continue. The TIM Enterprise segment is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business unit, management is developing an integrated go-to-market approach between the historically separately managed brands the TIM Enterprise segment, 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 PA cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one off restructuring costs and expanding its data centre footprint for improved offerings. The key features of TIM Enterprise's operating model will 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 centre 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 centres to develop internal IP from product management inputs;
- integrated technical practices for management of key partners' technology solutions;
- integrated managed services for infrastructures;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Enterprise business unit believes that these measures will result in higher revenues generated by the activities within this business unit, significantly increased cash conversion and optimized capex and operational costs.

(ii) TIM Consumer

The TIM Consumer business unit will be engaged in fixed and mobile commercial activities in the consumer and Small and Medium Business retail market and will benefit from the TIM Group's leadership in FTTH (Source: "Communication Markets Monitoring System" AGCOM, data as of 31 December 2022), with the TIM Group having reached approximately 1 million lines in the three months ended 31 March 2023. It operates in a competitive environment. In order to address these challenges, management is implementing a recovery strategy. The goal is to transform the TIM Consumer business unit into an agile, efficient and commercially flexible premium business with a shift in strategy, from volume to value. Delayering also enables management to take 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 business 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. It 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 business aims at stabilizing the customer base by 2024 through reduced churn, with gradual ARPU increases through a "more for more" proposition, a turn-around 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. Cost optimization entails several initiatives with the ambition to reduce customer care costs by 30%, bad debt by 55% and advertising expenses by 20% compared to a 2021 baseline. This also includes right sizing the organization with a 20% FTE reduction from approximately 14,000 in 2021. See "*Forward-Looking Statements*".

These measures will form the basis for sustainable growth based on a high-quality positioning and an attractive digital service offering.

(iii) TIM Brasil

Tim Brasil aims at becoming the next generation telco 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 telecom companies in Latin America and leads its peers with a free cash flow yield of 16% for the year ended 31 December 2022. It operates 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 favourable effects after reduction of the Brazilian turnover tax ICMS from 28% to 18%.

TIM Brasil's strategy aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage and the migration of FTTC to FTTH technology. 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.

NetCo

The NetCo segment will be the TIM Group's network company and will comprise the national and international wholesale business and all fixed network assets, including the entire access network – the infrastructure on which Italy's digitalization can progress. It will be the sole player in primary network and an undisputed leader in secondary network, providing FTTx coverage to over 95% of active lines, benefitting from the TIM Group's 79% market share in the overall fixed services market, retail and wholesale, as of 31 March 2023. The NetCo segment also specifically includes FiberCop, which is jointly owned alongside KKR Global Infrastructure Investors III L.P. (indirectly holding 37.5% of the share capital of FiberCop) and Fastweb S.p.A. (holding 4.5% of the share capital of FiberCop), as well as TIM Sparkle, which is ranked fifth among international carriers for its IP network and is expected to further develop through a selective expansion into new geographies.

The NetCo segment will aim at leveraging growth opportunities from Italy's underpenetrated broadband and ultra-broadband connections at secondary network level as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of 31 December 2022 (Source: "Digital Economy and Society Index 2022" – European Commission). The ongoing investment program to deploy FTTH benefits from government support under the NRRP for the "Italia 1Giga" and "5G backhauling" initiatives, for which TIM is expected to receive around €2,000 million, as well as connected healthcare and connected schools initiatives. Following an FTTH investment cycle aiming at a total footprint of 12 million technical units or approximately 48% national coverage by 2025, the NetCo segment is expected to become a typical, focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers. The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements while increased take-up from the operational status of the newly deployed FTTH network is expected to further contribute to a growth in profitability. 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 1 January 2023. The NetCo segment is expected to benefit from the increase to the Italian wholesale tariffs, bringing them broadly in line with other large European markets. In this context, the TIM Group is open to considering strategic partnerships and combinations to create a single network infrastructure for the country.

Execution and Capital Structure

One of the overall objectives of the Delayering Plan is a substantial reduction in the net leverage of the TIM Group, in order to achieve a long-term sustainable capital structure mainly through the combination of several strategic options which may include Deconsolidation Deleveraging, cash proceeds from corporate transactions, such as a sale of a minority stake in TIM Enterprise and/or, if needed, opportunistically assessing options on other assets, if terms are attractive.

In particular, in line with the Delayering Plan presented to the market, the TIM Group will continue to evaluate all strategic options, with a view to identifying the best route to pursue the double objectives of overcoming vertical integration and reducing debt. Should a sale of the NetCo segment not be possible on attractive terms, the TIM Group retains flexibility to reduce leverage through other means, including through alternative transaction structures, a disposal of a minority stake in the TIM Enterprise business unit and/or the opportunistic disposal of other assets.

With debt maturities through 2024 expected to be covered by available liquidity, 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.

Any plan or transaction pursued will only be executed on terms that the TIM Group views as attractive to its bondholders and shareholders. Before committing to any transaction, the TIM Group intends to pursue a rating assessment, supporting its goal of unlocking value while targeting a solid and sustainable capital structure. Any potential transaction will build on the TIM Group's preparatory work already implemented, such as the clear definition of the perimeter of the new business units and related FTE allocations, the appointment of dedicated management teams and the preparation of dedicated business plans. However, there can be no assurance as to the terms on which a Deconsolidation will occur, if at all. Further, there can be no assurance that the TIM Group will be able to deliver any or all of the expected benefits of a Deconsolidation or the Delayering Plan. See "*Risk Factors—Risks Related to the Business Activity and Industries of the TIM Group— The separation of NetCo from the TIM Group may be complex, could cause us to incur unexpected costs and we will be required to rely on NetCo for transitional and infrastructure access services. There can be no assurance that we will be able to deliver any or all of the expected benefits of the Delayering Plan, a separation of NetCo and/or a Deconsolidation*".

Transformation Plan

In addition to the Delayering Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the "**Transformation Plan**") which targets €1,100 million of total savings by the end of 2023 (out of which approximately €700 million is expected to be operating expenditure savings and €400 million is expected to be cash cost and capital expenditure savings) and €1,500 million of total savings by the end of 2024 (out of which approximately €1,000 million is expected to be operating expenditure savings and €500 million is expected to be cash cost and capital expenditure savings), excluding the Brazil Business Unit, through the following steps:

- *Simplifying cost structure*: The TIM Group is focused on tendering on-going delivery, assurance and creation of fixed networks and plants and decommissioning of less efficient plants, including decommissioning 3G networks. The TIM Group is also focused on achieving cost savings through energy efficiencies in real estate, with asset modernization planned in more than 7,000 sites and central offices.

- *Rightsizing and talent upliftment*: The TIM Group is focused on rightsizing its labour force through enforcing policies for hourly reduction, early retirements and voluntary exits. Further, it is focused on reskilling approximately 1,200 existing employees to reduce external costs. The

TIM Group is also focused on recruitment to uplift its existing talent base, and intends to recruit 400 additional employees in 2023.

- *Enhanced cost optimization*: The TIM Group intends to achieve cost optimization in customer care through, among other steps, lowering human volumes, increasing productivity, a review of our 'make vs buy' mix and near-shoring. It also intends to increase the efficiency of its sales channels, optimize RAN costs; optimize logistics through using analytics, AI and E2E process improvements.

- *Digital break-throughs*: The TIM Group intends to achieve digital break-throughs its app optimization, upgrading caring features, setting up of a fraud services centre and improving eSIM request and activation process improvements.

In addition to the €300 million of savings achieved for the year ended 31 December 2022, for the three months ended 31 March 2023, management has achieved €200 million of savings, of which approximately €100 million was operating expenditure savings and €100 million was cash cost and capital expenditure savings, amounting to approximately 26% of the 2023 target. This was achieved through: (i) hourly reduction involving more than 70% employees; (ii) voluntary exits of approximately 200 employees; (iii) reskilling 300 employees; (iv) energy savings initiatives for up to 160 GWh; (v) reduction of 1,500 car-fleet; (vi) more than 10% increase in e-billing; and (vi) savings of around €30 million from lower energy consumption through 3G decommissioning.

The assumptions used in estimating total savings, including the components of such estimates, and the steps to be taken to realize such savings, in each case as presented in this "—Transformation Plan", are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive 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 these management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transformation Plan will be effective or that the savings targets presented herein will be achieved in whole or in part.

TIM Group Business Units

The TIM Group currently operates its business through a vertically integrated model, which comprises three business units: the Domestic Business Unit, the Brazil Business Unit and the Other Operations Business Unit. For the twelve months ended 31 March 2023, the Domestic Business Unit and the Brazil Business Unit represented approximately 74% and 26%, respectively, of the TIM Group's revenue. The operations of each of the TIM Group's three reportable business units are described below:

Domestic Business Unit

The operations of the Domestic Business Unit include:

- providing voice and data services on fixed-line and mobile networks for retail 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 its own networks;

- developing 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 31 March 2023, the TIM Group's Domestic Business Unit operates 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 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 Mobile Virtual Network Operators ("**MVNO**") which do not own their own radio spectrum or wireless networks. The Wholesale National Market includes the following entities: TI San Marino and Telefonia Mobile Sammarinese.

Wholesale International Market

The Wholesale National 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 S.p.A.; 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 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 operating data for the periods presented. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for more details.

Domestic Business Unit: Fixed

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	2022	2022	2021	2020
	(in thousands (€) unless otherwise indicated)				
Total TIM Retail accesses	8,216	8,539	8,290	8,647	8,791
of which Next Generation Networks ("NGN") [(1)]	*5,487*	*5,244*	5,417	5,186	4,432
Total wholesale accesses	7,453	7,729	7,525	7,729	7,974
of which NGN	5,206	*4,997*	5,171	4,819	4,220
Active broadband accesses	7,379	7,643	7,443	7,733	7,635
Consumer ARPU (€/month)[(2)]	27.3	28.4	28.3	30.1	33.0
Broadband ARPU (€/month)[(3)]	34.5	33.0	35.6	33.4	31.3

[(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 three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
	(in thousands (€) unless otherwise indicated)				
Lines at period end	30,201	30,395	30,407	30,466	30,170
of which human	18,297	*18,799*	*18,438*	*19,054*	*19,795*
Churn rate (%)[(1)]	3.7	3.7	13.3	14.7	18.6
Broadband users[(2)]	12,584	12,717	12,577	12,783	12,818
Retail ARPU (€/month)[(3)]	6.7	7.0	7.1	7.5	8.0
Human ARPU (€/month)[(4)]	11.1	11.3	11.5	11.7	12.1

[(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 three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**202**
	(in thousands (BRL) unless otherwise indicated)				
Lines at period end[(1)]	61,721	52,305	62,485	52,066	51,443
Mobile ARPU[(2)]	27.7	27.4	26.1	26.4	24.9

[(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, small offices, home offices, 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 31 December 2022 and 2021, the service revenue amounted to approximately 92.5% and 90.8% of TIM Group revenue. The TIM Group has also signed a memorandum of understanding in February 2021 with the main European telecommunications operators to promote Open RAN technology, with the aim of 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, with a wide range of data packages, Internet services and other products for both fixed-line and mobile markets, broadband, pay-TV, landline, fully flexible television packages, including streaming services, fiber connection. It also provides ICT offerings and digital services, including cloud services.

The TIM Group also services ISPs, ASPs in the wholesale market and to multinational companies 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 as follows:

- 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, being the first in the Italian market to offer high performance of up to 10Gbps, with one third of Italian residential units were covered by FTTH and three quarters of the TIM Group's fixed customers use such ultrabroadband connections as of 31 December 2022;
- home Wi-Fi services with a10Gbit 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**") technology, 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 football 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 a new model, at the same time 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 customers and retail prices, 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 and the 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, it also provides specific content on digital channel for SMB customers in order to increase the acquisitions of solutions for fixed, mobile and ICT offerings. The TIM Group also provides online services dedicated to customers on apps and the web.

Further, the TIM Group has simplified the sales processes and extended the portfolio with solutions tailored to the needs of SMB customers. This is an attempt to consolidate all the main needs of the SMB customers: information security, cloud computing for capacity and storage, data backup and the adoption of SaaS solutions. It has also expanded its ICT offer through advanced connectivity solutions (VoIP) and through partnerships with major market players.

For offerings to large enterprise and entities in the public administration segment, the TIM Group offers:

- *Managed and professional services*: Including changing 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*: 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 will includes providing IoT vertical solutions.

- *Cloud infrastructure*: Include TIM Cloud, Google Cloud, Edge Cloud and third-party cloud.

- *Data centre and Edge*: Including offerings data centre offerings as well as TIM Edge.

- *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, devise 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 30 March 2023, the shareholders of TIM approved the merger of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A. ("**Cozani**") with TIM. Cozani is a special purpose company acquired from Oi, which provides telecommunications services, especially personal mobile service and multimedia communication service.

Mobile

The TIM Group was the first operator to cover 100% of Brazil's municipalities and launched its 5G network in Brazil in 2022. It has partnered with Deezer and Amazon Prime Video for music streaming and entertainment services offered to customers. It has also tied up with the airlines Gol and LATAM to offer free Wi-Fi calling on flights for certain customers. It operates a sales app for independent retailer to re-sell SIMs and top-ups, thereby securing additional income streams. As a result of its improvement of its customer experience 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 *Agência Nacional de Telecomunicações* (Brazil's National Telecommunication Agency, "**Anatel**"). 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 and entertainment.

Fiber

The TIM Group is in the process of migrating customers from FTTC to FTTH to maximize customer experience.

Business

In 2022, the TIM Group has launched the first IoT marketplace for B2B in Brazil by promoting IoT solutions through partnerships. In addition, it has launched the FCA partnership for connected cars. For industry and mining business customers, it is developing a private LTE solution for business-critical use case management. In Brazil, the TIM Group is a complete vertical orchestrator and provides services for monitoring and managing company fleets, smart lighting, meter reading and distribution automation solutions.

Network Assets, Licenses and Frequencies

In Italy, the TIM Group operates a mobile access network based on 4G and 5G standards. It acquired spectrum rights in the 2018 multiband spectrum auction on all available frequencies in the 700 MHz and 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700MHz, 1x80MHz in 3.7GHz and 1x200MHz in 26GHz).

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 31 December 2022 are provided below:

	Useful life	**Maturity**
	(years)	
Italy		
UMTS 2100 MHz (extension)	8	12 December 2029
WiMax (extension)	7	12 December 2029
34-36 MHz band Linkem	7	12 December 2029
LTE 1800 MHz	18	12 December 2029
LTE 800 MHz	17	12 December 2029
LTE 2600 MHz	17	12 December 2029
1452-1492 MHz band	14	12 December 2029
900 and 1800 MHz band	11	12 December 2029
3600-3800 MHz band (5G)	19	12 December 2037
26.5-27.5 GHz band (5G)	19	12 December 2037
694-790 MHz band (5G)	15.5	12 December 2037
Brazil		
GSM and 3G (UMTS)	15	2023 - 2031
4G (LTE - 700 MHz)	15	2029
5G (2.3 GHz and 26 GHz)	20	2041
900 - 1800 -1900 - 2100 - 2500 MHz[(1)]	15-18	2027 - 2038

[(1)] Held by Cozani.

The TIM Group's telecom assets include the technological infrastructure that are used for the provision of telecommunications services (transport and distribution of voice/data traffic). As of 31 December 2022, the TIM Group's technological infrastructure assets were mainly attributable, in Italy, to TIM S.p.A (€5,552 million) and FiberCop S.p.A (€4,114 million) and to the Brazil Business Unit (1,927 million).

The TIM Group's ultrabroadband coverage in Italy is composed by a mix of technologies:

- FTTC for nationwide NGAN up to 200Mbit/s (under the "Italia a 1 Giga" plan);
- FTTH coverage through investment in FiberCop S.p.A.;
- 4G mobile ultrabroadband coverage with over 51,400 4G nodes (including both macro and micro); and
- 5G mobile ultrabroadband coverage with over 2,900 5G nodes.

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 part 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 now 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 for authorizations for these expiring radio frequencies to be obtained. The TIM Group has started requesting renewals for the same period. 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 revision to the General Telecommunications Law have had 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. In Brazil, the TIM Group's wireless network has both centralized and distributed functions, and includes mainly transmission equipment, and as of 31 December 2022, 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 ultra-broadband service, available through its TIM UltraFibra service. In 2022, 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

Italy

The TIM Group is focused on providing quality customer service and customer retention is one of its key objectives. The TIM Group reaches around 5,770 Italian municipalities with ultra-broadband fixed services and around 7,800 Italian municipalities with ultra-broadband mobile services where the services are available for the benefit of citizens, businesses and public administrations.

The TIM Group undertakes a wide range of activities to improve quality of the service and products it offers 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 churn, while protecting and maximizing ARPU and MARPU. Such activities include simple caring calls to pro-customer price management activities or gifts (for example individual price-plan upselling or free data package). The TIM Group is investing in its improvement through enriching the data-lake and improving digital tools and data-driven processes in order to promote proactive caring initiatives.

- *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 customer's entertainment. It leverages on its partnership with content providers like DAZN, Disney+ etc. to provide sought after content.

- *Cross-selling or upselling*: The TIM Group undertakes data-driven campaigns that aim at increasing penetration of convergent customer base (for example, providing FTTH upgrade or best technology for connectivity etc.) to encourage reduction in churn propensities.

- *Customer satisfaction*: The TIM Group's management is incentivized 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.

- *Direct relationship*: For more complex and large customers (corporates, public administration) the TIM Group believes that the key element is maintaining the trust built over the years through increasingly good relationship, 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 insourced/outsourced ratio of its internally managed customer service operations to its outsourced customer service operation to the best practices of Brazilian telecommunications business. As of 31 December 2022, the TIM Group operates through 18 customer care centres, two of its own and 16 outsourced, comprising around 13,511 customer service representatives and the TIM Group's home-based service.

As of 31 December 2022, the TIM Group had more than 12,800 points of sale (of which 158 are its own 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, totalling more than 212,000 points of sale throughout Brazil, as of 31 December 2022.

After the launch in December 2021, the TIM Group opened its first five concept stores using a new format, launching the beginning of a new experience in its customer journey. For 2023, the TIM Group plans to open four additional concept stores in this new format. The new format has several spaces where customers are able to try smartphones and accessories enabled already with 5G technology, as well as equipment for connecting homes using the TIM Group's fixed ultra-broadband. Consumers themselves will be able to carry out basic activities, such as consulting with the sales representatives, printing, paying invoices, purchasing plans and services, and even discussing with its tech experts tips for operating their devices, apps, and more.

As of 31 December 2022, for the corporate market, the TIM Group had more than 397 third-party business partners and 101 employees focused on serving SMBs and a direct sales force team of 86 employees focused on large companies.

Since 2020, digital channels have been an important aspect of its customer service through its mobile application Meu TIM and the Meu TIM web portal. The digital channels are also useful for self-service, prepaid customer recharge and service upselling. In addition to being a better customer experience due to the speed of response it provides, digital channels also allows the TIM Group to reduce costs 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.

The TIM Group has also expanded its customer service offerings for its digital customers by adding several channels for its customers to connect with the TIM Group, including CHAT MEU TIM (Web and App).

The TIM Group also connects with its customers *via* social media. As of 31 December 2022, the TIM Group's principal Twitter account had more than 740,000 followers.

Since 2021, the TIM Group has been working to keep its "Customer Experience" foundational pillar as a focus, creating initiatives that seeks to put the customer as the centre of decision-making. The approach used to promote this cultural transformation was guided by the relationship between customer and employee.

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 the 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 which its employees' performance in respect of "Quality and Customer Focus" attained by 1pp (86%), from 2021 to 2022. Compared to the other telecom companies that also use this survey, TIM is 10pp (84)% above average regarding this indicator. 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 expected behaviours 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 concluded, which represented the efforts in the Customer Experience governance plan. These actions were grouped 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 behaviours 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, reduced costs and improved quality; 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 centre. There is an ongoing project to expand this survey to other of its 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.

Brand and Marketing

The TIM Group engages in a variety of marketing activities, both paid and unpaid, to market its products and services. The TIM Group believes that its brand strategy has helped to grow its customer base and maintain customer loyalty resulting in market leading total revenue growth. The TIM Group advertises its premium TIM brand through a range of media channels including national television, radio, print, online and outdoor advertising, and uses social media to raise awareness of the TIM brand. The TIM Group increasingly uses online marketing and social media to build interest in its products. The TIM Group believes that integrating sales activity with innovative proposition development and creative campaigns has helped it increase its market share in SMB, enterprise businesses and the public sector.

In Italy, the TIM Group launched a new brand positioning in 2022: "*today, the new "destinies cross paths" format tells us how the strength of human connections and TIM technologies foster the dreams of great Italian endorsers*". Such branding has led the TIM Group to win two important industry prizes in 2022. In Brazil, the TIM Group has focused on strengthening brand credibility by supporting social development and digitization of Brazil. As a sponsor of Rock in Rio, one of the world's largest music festivals, it has attempted to strengthen the tie of the TIM brand with music and entertainment.

The TIM Group also offers a variety of loyalty programs which are designed to retain customers and reduce its churn rate. For example, it has initiated the NMP loyalty campaigns intended for specific fixed customers.

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 two 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 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. 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 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.

As of 31 March 2023, the TIM Group offered its products and services through more than 5,000 PoS in Italy, out of which approximately 750 are monobrand stores. The monobrand stores are generally located in highly frequented and strategically important areas, such as high streets in urban centres. The TIM Group estimates that monobrand stores had in aggregate approximately 1.5 million visitors per month during the year ended 31 December 2022. The TIM Group has revamped its physical store presence with new layouts to a more personal service both for customer base and new clients.

The TIM Group also sells products and services directly through its website and mobile apps. The website had an average of 17.1 million visits per month during the year ended 31 December 2022, and there were approximately 19.9 million visits per month in the same period to the mobile app.

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 small office or home office customers through its existing indirect sales and distribution channels (stores and online), using specialist sales advisers to help deliver customer retention, acquisition and upgrades. The TIM Group conducts sales to SMB customers primarily through sales force, which consists of 76 business partners and 120 senior accounts.

Brazil

In Brazil, the TIM Group follows a strategy to approach consumer customers through both physical and digital channels, with an aspiration 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.

Pricing

Telecommunication operators face significant pricing pressure resulting from competition from among operators. Additionally, excessive pricing are policed periodically by regulators like Italian telecom regulator, *Autorità per le Garanzie nelle Comunicazioni*, Italian anti-trust regulator *Autorità Garante per la Concorrenza ed il Mercato*, Brazil's telecom regulator Anatel. Anatel also publishes rates for certain services, like fixed-line services, which are permitted to be adjusted for inflation.

Major Suppliers, Contractors and Distributors

The TIM Group's main suppliers are engaged in providing mass-market products (smartphones and software licenses) and in providing and deploying mobile telecommunications network. There are no constraints on the TIM Group in substituting these suppliers with other providers.

IT Systems and Security

The TIM Group recognize cyber security as one of its greatest areas of risk as it handles enormous amount of information technology assets that is either its own or being managed to deliver services to its customers.

In Italy, the TIM Group has a defined security plans for its information technology assets, to mitigate risks by regular monitoring. The security operation centre of the TIM Group is available 24/7 to manage security incidents and help limit their impacts. It also has an insurance program to cover cyber risks. In relation to the equipment it supplies, the TIM Group has also prepared advanced test laboratories to test the devices for safety before they are released to the field and isolated environments used 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 21 April 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 of which operates under the scope of TIM Enterprise.

In Brazil, the TIM Group has obtained certifications for the management of cyber security and transparency, like ISO 27001.

Please see "*Risk Factors—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 businesses are subject to cybersecurity risks*". for more details.

Employees

As of 31 March 2023, the TIM Group had 50,343 employees, including 40,671 employees in Italy and 9,424 employees in Brazil. The average age of the TIM Group's employees is 51.

In August 2022, the TIM Group signed an expansion contract for the period 2022-2024 to support the business transformation process, renewal of technical-professional skills, and to ensure the presence of new professional profiles through a recruitment plan (the "**Expansion Contract**"). This Expansion Contract defines the measures to support the objectives of the 2023–2025 Industrial Plan to empower TIM and certain companies of the TIM Group (TI Sparkle S.p.A., Telecontact S.p.A., Noovle S.p.A. and Olivetti S.p.A.) and involves about 30,000 TIM Group employees and it is 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 includes both re-skilling and paths aimed at acquiring news skills; and

(iv) working hours reduction.

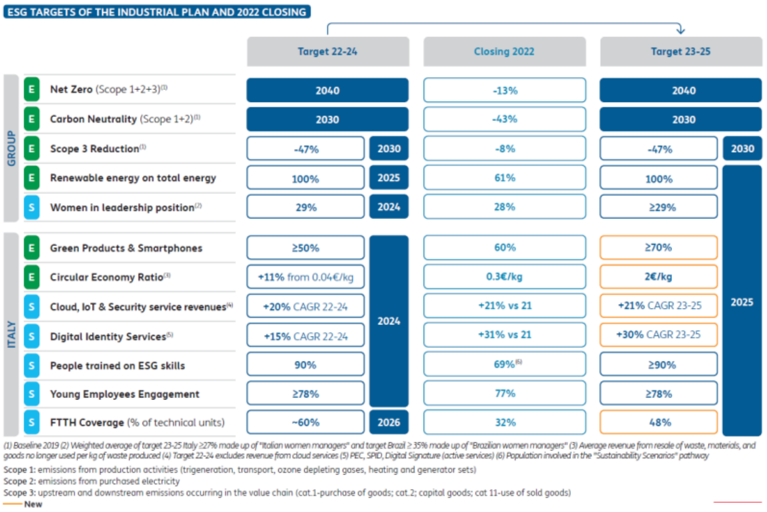
In line with this Expansion Contract, for the year ended 31 December 2022, the TIM Group provided more than 2.1 million hours of training to its employees. As of 31 December 2022, 43% of the TIM Group's Board were women and 28% of women hold managerial positions in the TIM Group.

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 for the period from February

2023 to February 2024 which will impact about 32,000 employees of the TIM Group. On 21 March 2023, TIM and certain trade unions signed an agreement pursuant to Art. 4 of Italian Law no. 92/2012. The agreement involves an incentive for up to 2,000 people to take redundancy and is valid until 30 November 2023.

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 sustainability include the greater use of renewable sources of energy (46 % of the total amount of energy consumption), 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. The TIM Group has set 5 targets at the TIM Group level and 7 targets for its Italy operations to met over a short-term basis. A snapshot of TIM Group's ESG targets and its performances towards these targets as of 31 December 2022 are provided below:



ESG TARGETS OF THE INDUSTRIAL PLAN AND 2022 CLOSING

			Target 22-24		Closing 2022	Target 23-25	
GROUP	E	Net Zero (Scope 1+2+3)(1)	2040		-13%	2040	
	E	Carbon Neutrality (Scope 1+2)(1)	2030		-43%	2030	
	E	Scope 3 Reduction(1)	-47%	2030	-8%	-47%	2030
	E	Renewable energy on total energy	100%	2025	61%	100%	2025
	S	Women in leadership position(2)	29%	2024	28%	≥29%	
ITALY	E	Green Products & Smartphones	≥50%	2024	60%	≥70%	
	E	Circular Economy Ratio(3)	+11% from 0.04€/kg		0.3€/kg	2€/kg	
	S	Cloud, IoT & Security service revenues(4)	+20% CAGR 22-24		+21% vs 21	+21% CAGR 23-25	
	S	Digital Identity Services(5)	+15% CAGR 22-24		+31% vs 21	+30% CAGR 23-25	
	S	People trained on ESG skills	90%		69%(6)	≥90%	
	S	Young Employees Engagement	≥78%		77%	≥78%	
	S	FTTH Coverage (% of technical units)	~60%	2026	32%	48%	

(1) Baseline 2019 (2) Weighted average of target 23-25 Italy ≥27% made up of "Italian women managers" and target Brazil ≥ 35% made up of "Brazilian women managers" (3) Average revenue from resale of waste, materials, and goods no longer used per kg of waste produced (4) Target 22-24 excludes revenue from cloud services (5) PEC, SPID, Digital Signature (active services) (6) Population involved in the "Sustainability Scenarios" pathway

Scope 1: emissions from production activities (trigeneration, transport, ozone depleting gases, heating and generator sets)
Scope 2: emissions from purchased electricity
Scope 3: upstream and downstream emissions occurring in the value chain (cat.1-purchase of goods; cat.2; capital goods; cat 11-use of sold goods)
New

In defining the TIM Group's targets, it has focused on four main areas of intervention:

- **Environmental protection**: The TIM Group aims for efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste, 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.

- **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 2022, through more than 40 projects, are as follows:

- the reduction of its scope 1 emissions (emissions from production activities such as trigeneration, transport, ozone depleting gases, heating and generator sets) by 12% compared to 2021;

- the initiation of the shutting down the 3G mobile network in Italy, resulting in annual savings of approximately 20 GWh;

- the entering into an alliance with the European Green Digital Coalition to promote the role of digitalization in reducing CO2 emissions in Europe;

- the establishment of the "Connected Schools" and "Connected Health" projects financed by NRRP for a total of 6 lots for approximately €177 million;

- the digitalization of its ESG reporting; and

- the continued implementation of the European Taxonomy according to the modalities provided by European working table; and the establishment of the National Strategic Hub, with Leonardo, Cassa Depositi e Prestiti, and Sogei to promote the digitization of Italian Public Administration.

Compliance with safety at work requirements is assured at the TIM Group 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. In 2021, ISO 45001:2018 certification was achieved in relation to the design, development, maintenance and management of the properties for office and mixed use coming under the purview of the real estate department.

Additionally, the TIM Group recognizes the risk of electromagnetic pollution which is inherent in the telecommunication business. 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. It has been the driving force towards digital transition in Italy and Brazil.

In 2022, 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, and in the "advanced" category of the overall ranking. Sustainalytics in 2022 (updated as of 13 April 2023) has rated the TIM Group 18.7 in its ESG rating, which is in the low-risk category. It has ranked the TIM Group 23 out of 227 in the telecommunication sector, and 3,384 out of 15,518 in the global ranking.

Property and Leases

In Italy, as of 31 March 2023, the TIM Group operated through 760 monobrand stores (218 owned stores, 324 franchise stores, 218 dealer monobrand), as well as its headquarters and branch office at Corso D'Italia, 41 00198 Rome, Italy.

Insurance

The TIM Group maintains insurance coverage in line with industry practice. The TIM Group is insured for, among other things, cyber liability, property related liabilities (including for business interruption and stocks), directors and officers liability, professional indemnity, third party liability, product liability, employer's liability, crimes, goods in transit liability, and construction related liability.

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 31 March 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 Euros, and the exchange rate used for this translation is calculated at the average exchange rate for the three months ended 31 March 2023.

- *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 18,200 million (€3,266 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 (€556.3 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 9,800 million (€1,759 million); (iii) municipal tax authorities over certain matters which could amount to a potential loss of approximately BRL1,600 million (€287 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 3,700 million (€664 million).

- *Golden Power case*: TIM has appealed imposition of penalty of €74.3 million in 2017 under the Golden Power Legislation for failure to notify Vivendi group's acquisition of control of the TIM Group. The matter is currently being appealed before the Administrative Tribunal for the Lazio Region (TAR 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 (renewed in November 2022). See "*Risk Factors — 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*:

  (i) 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 13 January 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.

  (ii) 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. The case is reserved for decision.

  (iii) COMM 3000 S.p.A. (formerly known as KQNQWest Italia S.p.A.) commenced legal action for alleged anticompetitive behaviour 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 Court of Cassation over the judgment of the Court of Appeal of Rome. The hearing in chambers has been scheduled for 13 June 2023.

  (iv) 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. On 15 November 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 18 October 2023.

- *Antitrust Case A514*:

  - TIM has commenced an appeal to the Council of State 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 Lazio Regional Administrative Court (TAR) was rejected.

    - 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 1 June 2022, the investigating judge assigned the parties time for depositing the briefs with terms running from 15 February 2023, and deferred the case to be heard on 7 June 2023. The public hearing for the examination of the evidence has been scheduled for 5 October 2023.

- *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 rumours 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 19 October 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate.

- *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's claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutalia 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 5 August 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 16 February 2023. On the request of Eutelia and Voice Plus, at the hearing of 16 February 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 favourable order for recovering approximately €58 million in relation to certain contracts for supply of IT goods and services from the TIM Group.

- *Illiad cases*:

    - Illiad S.p.A. ("**Illiad**") 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 28 May 2024.

    - Illiad 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 Illiad'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 the hearing for the specification of the parties' pleadings, held with written discussion, the court has deferred the hearing for decision, assigning deadlines for submitting the closing arguments and statements of defence.

  - Illiad 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 5 April 2023, and the court reserved the objection of nullity of the writ of summons raised by TIM.

- *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 lead 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 (€41 million). The matter is pending in arbitration proceedings. The TIM Group has deposited BRL 670 million (€120 million) with a 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 counter-claiming 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 14 December 2022. The hearing for the admission of the preliminary motions has been postponed to 13 June 2023.

- *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. After several postponements, the case was deferred to the hearing of 9 March 2023 and is currently up for discussion.

For additional information and a description of other litigation of the TIM Group, please see note 25 to the 2022 Consolidated Financial Statements. For additional details in relation to regulatory proceedings, please see "*Regulation*".

INDUSTRY OVERVIEW

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Information Memorandum is based on our 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 our relying on our own knowledge of the industry and markets we operate in and our 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 we use 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 we have used in making our 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. We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry or the relevant markets, and none of our internal surveys or information have been verified by any independent sources. None of the Issuer or the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Information Memorandum, and none of the Issuer or the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

Italian market overview

As of 31 December 2022, the TIM Group holds a leading position in Italy across both the fixed broadband and mobile (total SIM) markets, with market shares of approximately 40% and approximately 28%, respectively by number of lines (Source: Market shares as per AGCOM (Communication market monitoring system no. 1/2023), data as of December 2022).

Italy's population in 2022 was 58.9 million (the third largest country by population in the EU) with 25.3 million households in 2021 according to data from ISTAT. Approximately 71% of the population lives in urban areas and 29% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 39 basis points per year between 2010 and 2021. Italy is a founding member state and the third largest economy in the EU with a GDP of USD 2.1 trillion and GDP per capita of USD 35,657 in 2021, 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 6.7% in 2021 and an expected growth of 3.9% in 2022, according to the data from Banca d'Italia.

As of the date of this Information 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 2.2% of total expenditures, while revenues on telecommunications services represented 1.6% of the GDP in 2021.

The Italian telecommunications market generated €27.8 billion in the last twelve months ended on 31 December 2021, slightly decreasing by approximately 2.8% year over year, mostly as a result of declining prices. In particular:

- Revenues generated by the Italian mobile market decreased by approximately 4.6%;
- Revenues generated by the Italian fixed broadband market decreased by approximately 1.3%.

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, 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. Despite the easing of restrictive measures, the daily data traffic 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 Italian telecommunications market is rapidly evolving, mainly due to the deployment of broadband and ultra-broadband technologies, with the introduction and expansion of 5G mobile, Fiber to the Cabinet ("**FTTC**"), and Fiber to the Home ("**FTTH**") fixed networks. The market has seen approximately €39 billion of investments in fixed assets between 2017 and 2021, approximately 5.1% of all investment activities in the Italian economy. The digital modernization of Italy's communication infrastructure is accelerating thanks to the substantial investments foreseen under the NRRP, approximately 27% of which will be allocated to support the digital transition – *see below*. The growing availability of ultra-broadband 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, telecom 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. In particular in the markets such as:

- 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 ultra-broadband connectivity,

- information and communication technology, where the traditional fixed and mobile connectivity solutions tend to decrease in favour 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 small and midsize business ("**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 (TV, Music, Gaming) and new digital services (smart home, digital advertising, 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.

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: Swisscom annual report 2022). While the Italian fixed telecommunications market continues to be marked by declining fixed voice revenues, broadband and ultra-broadband revenues continue to experience steady growth. There were 18.6 million broadband and ultra-fast broadband subscribers as of 31 December 2022, of which approximately 15.8 million were residential customers and 2.8 million business customers. Additionally, there were 19.9 million fixed lines in Italy as of 31 December 2021 (Source: AGCOM) and the Italian broadband market is expected to grow at 2% CAGR.

Due to the lack of cable infrastructure and difficult morphology, 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 30 September 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 16.6% of total fixed lines subscriptions as of 31 December 2022. In parallel, higher-quality access technologies have increased considerably, with FTTC connections up to 6.15 million and FTTH by 2.88 million since 2017 (Source: AGCOM). 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).

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 74.5% in 2022. 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 130 PB in 2022 with average daily traffic per broadband line increasing from approximately 4GB to over 7GB. 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.

In recent years, telecommunication operators have mainly focused on developing broadband and ultra-broadband 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 40% retail market share as of 31 December 2022, which is approximately 2 times larger than the next competitor, Vodafone with a 16.8% market share. Competition also includes other Internet Service Providers ("**ISPs**") such as WindTre and Fastweb, and new entrants such as Sky and Iliad. The latter launched its fixed broadband offer in June 2022, achieving 109,000 subscribers as of 31 December 2022.

Some competition comes as well from fixed wireless access ("**FWA**") providers, such as EOLO and Linkem (approximately 3% of total fixed broadband connections each). However, the FWA technology remains limited representing only approximately 1.8 million connections as of 31 December 2022, or approximately 8.9% of the total broadband lines in Italy.

As incumbent operator, TIM is the largest provider of wholesale fiber access infrastructure, namely through its subsidiary FiberCop, incorporated in April 2021 and owned by TIM for 58.0%, by KKR for 37.5% and Fastweb for 4.5%. FiberCop provides passive access services to ISPs (namely TIM, WindTre, Fastweb, Vodafone and Tiscali), via its copper and fiber infrastructure spanning from street cabinets to customer premises. The backbone network including fiber, central office and cabinet infrastructure continues to be fully owned by TIM. The TIM Group currently covers approximately 33% of households with FTTH, equivalent to approximately 7.8 million homes passed, in comparison to 25% of households with FTTH, equivalent to approximately 6 million homes as of 31 December 2022. The TIM Group plans to expand the reach of its FTTH coverage in Italy that is capable of providing 1 Gigabits per second, to approximately 12 million households in 2025, representing approximately 48% of the national coverage.

In terms of competition in the fixed wholesale market, FiberCop is followed by Open Fiber, a wholesale-only operator controlled by CDP and Macquarie. Open Fiber entered the Italian market in 2016, following the Digital Agenda Strategy: a public intervention to cover White (rural) Areas with NGA through public tenders, and plans to provide ultra-fast broadband network coverage to certain identified areas.

New regulated wholesale access tariffs for 2023 have been recently approved by the Italian regulator AGCOM and greenlit by the European Commission, with a retroactive effect from 1 January 2023. As a result, the gap versus other European markets (including France, Denmark and the United Kingdom) on copper access prices has been further reduced, with unbundled access tariffs for Unbundling of Local Loop ("**ULL**") up by approximately 13% (with Italian tariff for 2023 being €10.0/line/month), Sub-Loop Unbundling ("**SLU**") up by approximately 13% (with Italian tariff for 2023 being €6/line/month), Virtual Unbundled Local Access ("**VULA**") FTTC up by approximately 6% (with Italian tariff for 2023 being €13.2/line/month), as compared to 2022.

The increase in wholesale access tariffs is also expected to drive retail fixed broadband prices stabilization and market rationalization.

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 ultra-fast broadband networks and 5G connectivity. Italy's recovery and resilience plan sets out a series of initiatives with the aim of taking ultra-broadband 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 1 Giga*" plan: €3.86 billion

- "*Italia 5G*" Plan: €2.02 billion
- "*Sanita Connessa*" (Connected Healthcare) plan: €0.50 billion
- "*Scuola Connessa*" (Connected Schools) plan: €0.26 billion
- "*Collagamento Isole Minori*" (Minor Islands Connection) plan: €0.06 billion

It is expected that the stimulative 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 Mobile market and competitive landscape

The Italian mobile telecommunications market generated approximately €12.4 billion revenues in the twelve months ended up in 31 December 2021, posting a decrease of approximately 4.6% if compared to the previous year. As of 31 December 2022, the mobile telephony market in Italy counted 78.4 million users (corresponding to human SIM cards in use, excluding M2M (as defined below)), broadly stable compared to the prior year (+0.5%), with a mobile phone penetration rate of 133%. 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 2022 by approximately 2.6% year over year, reaching 28.8 million connections.

Historically, the vast majority of "human" SIMs are activated under prepaid offers, averaging 87.7% over the last five years. The Italian mobile telephony market is composed of approximately 87% residential and 13% business users (this contrasts with the fixed telecommunications market where business revenues represent a larger proportion of the total).

Voice traffic at 207 billion minutes continues to grow with an increase of 3.6% CAGR between 2018 and 2021, same as the average monthly mobile data traffic per SIM which grew at 43.0% over the same period. The mobile telephony price index has, however, decreased of 2.5% CAGR between December 2018 and December 2022 under strong competitive pressure. Mobile service spending has also declined by 6.3% between 2018 and 2021.

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 12% of the market share (based on "human" lines) as of 31 December 2022, mainly at the expense of largest mobile national operators ("**MNOs**"). Despite this, TIM Group still maintains a strong position with approximately 25% of mobile market share (only human SIMs), almost at par with WindTre (approximately 26%) and Vodafone (approximately 23%). In the post-paid segment, TIM continues to hold a dominant position with approximately 49% market share. In addition, a large number of mobile virtual network operators ("**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 15% as of 31 December 2022. Several existing MVNOs (Fastweb, Coop Voce, 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 in half since 2018 and the mobility index (The ratio between (i) total donating lines plus total recipient lines since the beginning of the year, and (ii) the corresponding average customer base (net of M2M)) going down to approximately 22% from approximately 41%. In the three months ended 31 March 2023, the total volume for the mobile number portability market decreased by 118,000 lines from 2,022,000 lines in the three months ended 31 December 2022 to 1,904,000 lines in the three months ended 31 March 2023, with the portability flows reducing overall by 14% (year-on-year) in the three months ended 31 March 2023, in comparison to 10% (year-on-year) reduction in the three months ended 31 December 2022. In the three months ended 31 March 2023, TIM was a competitive MNO in Italy in terms of market mobile number portability, with a net balance of a loss of 58,000 lines, in comparison to a net balance of a loss of 136,000 lines in the three months ended 31 March 2022. Additionally, TIM also saw a ARPU rebound, with €10.9 per month human ARPU (net of mobile termination rate ("**MTR**") discontinuity), an increase of 0.3% (year-on-year), in the three months ended 31 March 2023, in comparison to human ARPU (net of MTR discontinuity) of €10.8 per month, €11.0 per month, €11.1 per month and €11.0 per month for the three months ended 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022, respectively.

Similarly, cumulative market share erosion of the three largest players (TIM, WindTre and Vodafone) has been slowing down, representing a 2.3% decrease from 2021 to 2022 compared to a decrease of 4.5% from 2018 to 2019. 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 2 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 11 April 2023, and with final approval expected in the second half of 2023.

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 31 March 2023, the TIM Group held approximately 25% market share of the Brazilian mobile market, being a strong (the third largest) operator, and approximately 2% of the fixed broadband market, offering access via its FTTC, FTTH and FWA infrastructure.

Brazil is the largest economy in Latin America with a GDP of USD 1.6 trillion and GDP per capita of USD 7,507 in 2021 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 3.9% in 2020, with a subsequent recovery of 4.6% in 2021 and expected growth 2.8% in 2022 IMF. Brazil's population in 2022 was 207.8 million. Approximately 87% of the population lives in urban areas and 13% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 32 basis points per year between 2010 and 2021.

The Brazilian mobile and fixed broadband market accounted together for 296.9 million lines as of 31 March 2023, slightly decreasing by approximately 1.4%, mainly due to mobile SIMs deactivation, only partially offset by the growth in fixed broadband. In particular:

- Total mobile lines amounted to 251.2 million, decreasing by approximately 2.8% every year on year.
- Total fixed broadband lines amounted to 45.7 million, increasing by approximately 6.9% year on year;

Overview of the Brazilian Mobile market and competitive landscape

In recent years, the number of mobile lines in the Brazilian market has been shrinking, with a decrease of 4.8% decrease year-on-year to a total of 211 million "human" SIMs as of March 2023. The number of M2M SIMs, on the other hand, has grown by 9.5% year on year to 40 million as of March 2023. The proportion of postpaid SIMs has increased to approximately 56% of total SIM cards in March 2023, growing by approximately 350 basis points per year since 2018.

4G has established itself as the leading mobile technology, available in over 5,000 municipalities and accounting for approximately 79% of total lines as of March 2023 compared to approximately 47% five years ago (March 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 3% of total lines (or 8.2 million lines) as of March 2023.

Brazilian mobile market is relatively mature, with a high penetration of mobile services (approximately 99% as of March 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 97% of all mobile lines as of March 2023. As a result, the TIM Group's mobile customer base grew from 52.3 million in March 2022 to 61.7 million in March 2023, implying a 24.6% market share following the integration of Oi mobile customer base. The TIM Group competes with two other MNOs, Vivo with 39.0% market share and Claro with 33.0% 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 fiber, which accounted for approximately 71% of total accesses as of March 2023, compared to approximately 35% in March 2020. This trend results in a positive impact on average speeds with approximately 88% of fixed broadband accesses benefitting from speeds of over 34Mbps as of March 2023, compared to only approximately 46% 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 March 2023, while the large telecom operators, Claro, Vivo and Oi, command approximately 21%, approximately 14% and approximately 11% market shares respectively.

The presence of the TIM Group on the fixed broadband market remains limited with a market share of approximately 3% as of March 2023, comparable to other smaller ISPs.

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.

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 20 December 2018, and is applicable to TIM Group's operations since its implementation through Italian Legislative Decree of 8 November 2021, no. 207. As per its article 125, the EECC builds on the scope of and recasts 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 very high capacity network ("**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 actors of the communications ecosystem like 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.

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 shall 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 23 February 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 across the EU.

Regulation (EU) 2018/1971 of the European Parliament and the Council entered into force on 20 December 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 15 May 2019 and 14 May 2024 (Article 5*a* of Regulation 2015/2120, as introduced by Article 50 of the BEREC Regulation).

The European Commission Delegated Regulation (EU) 2021/654 supplementing the EECC ("**Delegated Regulation**") that was published in the Official Journal of the EU ("**OJEU**") on 22 April 2021, has set the single maximum EU-wide wholesale fixed and mobile voice termination rates, equal to €0.07 cent per minute and €0.2 cent per minute, respectively. Such single maximum fixed termination rate is applicable from 1 July 2021 (by derogation, different caps are set for some Member States up to 31 December 2021), while the single maximum mobile termination rates will be applicable from 1 January 2024 gradually according to a specific glide path that will be discussed below (see "*—The Italian Regulatory Framework—Wholesale Mobile Markets*"), allowing for a swift implementation without significant disruptions for operators.

The European Commission's Recommendation EU 2020/2245 of 18 December 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 EECC, 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, subject to meeting the three criteria test to be performed by the Member States' NRAs.

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:

- 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;

- 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; and

- 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 is 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*: digitalisation 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 19 December 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.

On 12 December 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 23 February 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 (so-called Gigabit Recommendation) that will replace the Commission Recommendation 2010/572/EU of 20 September 2010 on regulated access to Next Generation Access Networks (NGA) and the Commission Recommendation 2013/466/EU of 11 September 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment, both regarding the *ex ante* remedies on undertakings with significant market power in wholesale regulated fixed access markets.

- 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.

Some of the key areas of the EU telecommunication regulatory framework which apply to the TIM Group's operations are discussed in more detail below.

International Roaming

Regulation (EU) 2022/612 of the European Parliament and of the Council of 6 April 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 14 May 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 30 June 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	*€cent/min*	2.2	2.2	2.2	1.9	1.9	1.9
SMS	*€cent/SMS*	0.4	0.4	0.4	0.3	0.3	0.3
Data	*€/GB*	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 1 January 2025 shall remain valid until 30 June 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 ("**TSM Regulation**") foresees 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 hall 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, optimised 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 was 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 25 May 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 Directive 2002/58/EC (the "**e-Privacy Directive**") implemented into Italian law on 30 June 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.

Security

The new Directive 2022/2555 on Network and Information Systems ("**NIS2**"), which replaces the current Directive 2016/1148 (NIS) entered into force on 16 January 2023 and must be transposed into national legislation by 17 October 2024 and will be applicable from 18 October 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 centres, CDNs, etc.).

While NIS2 confirms the obligation to adopt security measures that are proportionate to the risk, it introduces however introducing 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 24 December 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 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 PNRR 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 PNRR 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 the "*Autorità per le Garanzie nelle Comunicazioni*" ("**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 18 December 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 incentivise 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 12 May 2023, the Ministry of Enterprises and Made in Italy launched a Public consultation on the draft Legislative Decree amending the Code of Electronic Communications – Legislative Decree No. 259 of 1 August 2003, as amended by Legislative Decree No. 207 of 8 November 2021, which transposes Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018. The Consultation primarily targets market operators of electronic communications networks and services. Its purpose is to collect the market contribution regarding the implementation of the new sector legislation, one year after the entry into force of the Decree, in line with the objectives of the directive identified within the Strategy for the single digital market for Europe. The closing date of the consultation is 15 June 2023.

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 a significant market power ("**SMP**"). The following sections summarize the key areas of the Italian wholesale market that have been scrutinized by AGCOM to assess competition conditions, along with the recent developments concerning the electronic communications market.

Wholesale Fixed Access Markets

AGCOM's Resolution 348/19/CONS published on 8 August 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 the TIM's status as an SMP operator in the wholesale local access provided at a fixed location market, and wholesale central access provided at a fixed location for mass-market products market in Italy with the exclusion of the city of Milan, where the *ex ante* regulation has been withdrawn; and

- in 26 municipalities considered "*contestable*", withdrawal of the cost orientation obligation for the copper and fibre bitstream services and 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).

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 31 March 2021, acquired the secondary copper and fibre 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 31 March 2021).

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) and, at the same time, 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.

The new market analysis procedure, which is still ongoing will update the regulatory framework for the markets for wholesale fixed network access services based on changed competitive conditions and new European regulatory framework.

Co-investment Offer in a VHC network

On 29 January 2021, TIM notified AGCOM of an offer for co-investment pursuant to Articles 76 and 79 of EECC related to the construction of a new fibre network ("**CIO**"), in order to assess the CIO's conformity with Article 76 of EECC that provides for an innovative deregulation regime for new fibre infrastructures. The CIO was subsequently amended and integrated by TIM in March, April, June and December 2021, in accordance with the indications provided by the AGCOM in its "*Preliminary Conclusions*" issued at the end of the market test that was commenced by AGCOM's Resolution 110/21/CONS. The co-investment project related to the CIO is open to any provider of electronic communications networks or services and is the first co-investment project proposed at a national level with a view to implement the innovative model introduced by the EECC to govern it. In particular, the project intends to achieve a total of 9.7 million technical households in 2,549 municipalities by April 2026.

On 11 January 2022, AGCOM published Resolution 1/22/CONS that launched the public consultation, on the regulatory treatment of the FiberCop fibre network covered by the CIO. The decision put in consultation provides for the approval of the CIO commitments that are made binding for a period of ten years pursuant to Article 76 of EECC. In particular, TIM will be bound by these commitments and will not be subject to any additional regulatory obligation on the secondary fibre network in all municipalities where at least a co-investment agreement has been concluded between an alternative operator and FiberCop with respect to the following services:

- semi gigabit passive optical network (“**GPON**”) access;
- access to the laying infrastructure and dark fibre on the secondary network;
- access to the vertical fibre termination segment; and
- any other possible access service that is based only on the secondary network of FiberCop subject to co-investment.

On 16 May 2022, AGCOM sent a draft of the notification related to the CIO to the European Commission (case IT-2022-2375). However, on 7 June 2022 AGCOM withdrew the notification following TIM’s notification of an indexation mechanism to the price inflation related to the co-investment offer, pointing to 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 7 November 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 provides that the economic conditions for 2021 shall be applicable to co-investors joining by April 2023. This inquiry does not involve the renewal in full of the procedure, but it is limited to assessing the compliance of the new pricing definition mechanism with the criteria laid down in EECC, based also on the outcomes of the market test after which the notification will be renewed by the European Commission.

On 9 February 2023, the Authority communicated to TIM its preliminary conclusions requiring a revision of the price indexation model of the co-investment offer. The necessary in-depth analysis of the preliminary findings made by the Authority in order to formulate the Company’s response is ongoing.

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 fibre network offered by TIM and FiberCop. The deadline for stakeholders to present their contributions to the public consultation expired on 5 December 2022. 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.

	Fees (€)		**Variations**
Services	**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 fibre in primary access network – 15 years IRU	1,874,38	2,484.53	-24.6%
Dark fibre 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 9 June 2023

This decision reduces the differential between wholesale access prices in fibre 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 fibre networks. It is a decision in some ways historical that reverses a ten-year trend of reduction: it was ten years that AGCOM did not adjust copper and FTTC rates upwards, pursuing a policy of maintaining or reducing tariffs.

Delayering Plan

At the meeting on 6 July 2022, the Board of Directors of TIM ("**Board**") approved the TIM Group's strategic reorganization objective aiming to overcome vertical integration and gave the mandate to the TIM Group's CEO to evaluate and submit to the Board for the decisions of the case, any transactions and possible agreements for the transfer and valuation of certain of the TIM Group's assets, appropriate to achieve that strategic target. For more details of the TIM Group's strategic objectives and the Delayering Plan, please see "*Summary—The TIM Group's Strategy*", "*Summary—Recent Developments—Potential NetCo Separation*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

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 31 August 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;
- 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 of prices of PDH, 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 fibre 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 no-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 all the proposed provisions were confirmed in the notified draft decision to European Commission, 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).

Wholesale call termination on individual public telephone networks provided at a fixed location

On 2 February 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 the TIM's and 25 other operators status of SMP operators;
- confirmation of the 2019 termination price of €0.041 per minute until 30 June 2021;
- entry into force of the single maximum EU-wide wholesale rate of €0.07 per minute on 1 July 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 22 January 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 12 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*") pursuant to the European Commission Delegated Regulation (EU) 2021/654, a three-year glide path applies to allow a smooth transition to the target price of 0.2 €cent/min:0.67 €cent/min up to end-2021, 0.55 €cent/min in 2022 and 0.4 €cent/min in 2023.

Retail Markets

Retail Offers

With Resolution 348/19/CONS, AGCOM has removed the *ex ante* replicability test for some of the TIM Group's ultra-broadband retail offers. In particular, all Fiber-To-The-Home ("**FTTH**") or Fiber-To-The-Cabinet ("**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 New Generation Access, "**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.

The rest of the retail 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.

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 31 December 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 31 March 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 2 November 2018, AGCOM published Resolution 487/18/CONS setting the new guidelines on the charges applicable by operators in the event of customers' withdrawal.

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 costumer 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 Latium Administrative Court ("*Tribunale Amministrativo Regionale*") ("**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. Through Resolution 89/23/CONS published on 28 April 2023, AGCOM has also launched a public consultation on the revision of a comprehensive regulation that will define the concrete implementation of those new rules, in particular on contracts.

Terminal Equipment for Internet Access

On 2 August 2018, AGCOM issued its Resolution 348/18/CONS on terminal equipment (modem) for internet access. In this Resolution, AGCOM clarified that the modem is not part of the network, hence the user's freedom of choice must be guaranteed as established by TSM Regulation.

Pursuant to AGCOM's resolution, from 1 December 2018 onwards, all new offers must ensure that customers can freely choose their terminal equipment, and operators are additionally required to:

- remove any technical limitations of the modem so that the customer may use it for similar services provided by other operators;

- not request additional charges if the modem, which was provided free of charge and not used permanently by the user, is not returned to the operator; and
- allow the current subscribers who in the past have been obliged to accept the paid provision of a modem to either change it with a free of charge modem or, alternatively, withdraw without any penalty.

From 1 December 2018, TIM has been compliant with the free choice of the modem provision. However TIM has appealed AGCOM's Resolution 348/18/CONS before TAR, claiming that the above listed additional obligations imposed to operators by AGCOM are illegitimate and unjustified. The subsequent decision partially upheld the challenges against the obligation concerning the lack of protection of TIM in case the users do not meet their obligations to return the modem received free of charge and not permanently owned, while the other grounds of appeal have been rejected. The decisions of the first instance Administrative Court have been then confirmed in the subsequent proceeding before the Council of State

In May 2020, TIM has also communicated to customers that have activated before 1 December 2019, an offer for internet access and modem instalment sale, the possibility of joining an equivalent offer of internet without modem with the concurrent allowance for residual instalments.

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. To date, TIM is the only operator required to provide US across Italy. 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.

The Universal Service Fund ("**USF**") has been 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 authorised the funding mechanism until 2005, but did not recognise 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 11 September 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 21 June 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 7 July 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 27 December 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 11 September 2019. Such proceeding has been dismissed through Resolution No. 190/19/CIR following the decision of the Council of State dated 8 October 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 29 March 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 17 February 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 18 April 2023 and 2 May 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 14 September 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 27 June 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 21 April 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 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.

The resolution for calculating the contribution fee in 2022 were aligned with the guidelines for 2021, with the rate of 1.30 per thousand of the operators' revenues for the electronic communications sector and 1.90 per thousand for the "*media*" sector. Specifically, on 31 January 2022, AGCOM issued respectively Resolutions No. 376/21/CONS and No. 377/21/CONS relating to contribution fees payment for 2022 and on the basis of the applicable contribution rate, TIM has paid approximately €15.7 million, under reserve. AGCOM has issued Resolutions No. 409/22/CONS and No. 410/22/CONS, defining respectively the amount of the contribution fees for 2023 for the electronic communications sector (1.4 per thousand of the operators' revenues) and the media sector (2 per thousand of the operators' revenues). On the basis of those resolution, TIM has paid €16.1 million, under reserve.

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 3 June 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 fibre, in the white areas in Abruzzo, Molise, Emilia Romagna, Lombardia, Tuscany and Veneto regions. On 7 March 2017, the tender was awarded to Open Fiber.

On 8 August 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 28 July 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra Broadband "*Towards the Gigabit Society*" (the "**Strategy**"), approved on 25 May 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 Italian National Recovery and Resilience Plan ("**NRRP**") approved by the Italian government on 29 April 2021, allocates 27% of the resources to the digital transition, of which €6.7 billion are intended for strategic projects related to the ultra-broadband 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:

- *"Italy at 1 Giga" Plan;*
- "*Italy 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.

"Italy at 1 Giga" Plan

The "*Italy at 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 Fixed Wireless Access ("**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 6 August 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 "*Italy at 1 Giga*" plan, on 13 October 2021, Infratel launched a complementary consultation that ended on 15 November 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 "*Italy at 1 Giga*" by 2026.

The "*Italy at 1 Giga Plan*" was sent to the European Commission on 8 November 2021 and was approved on 27 January 2022.

On 15 January 2022, Infratel published the "*Italy at 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 31 March 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 24 May 2022 and are as follows:

- TIM 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 €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 3 June 2022 and was awarded to TIM on 28 June 2022 for approximately €65 million. On 29 July 2022, the relevant agreements were signed between Infratel and the operators that had been awarded the individual lots.

"Italy 5G" Plan

The "*Italy 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' fibre 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 fibre 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 15 December 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 21 March 2022 Infratel published the following two tenders :

- fibre backhauling tender; and

- new 5G sites tender.

The European Commission approved the State aid measure, including the above tenders on 25 April 2022. The deadline for submitting the bids expired on 9 May 2022.

Fibre Backhauling Tender

The tender provides for incentives for the investments in the construction of fibre 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 13 June 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 29 July 2022.

New 5G Sites Tender

The second tender is related to the construction of new 5G mobile network infrastructures (fibre, 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 fibre backhauling tender. This tender was abandoned and was republished with changes on 20 May, with a deadline for the bids set for 10 June 2022. The new invitation for the bids provides for funding of approximately €567 million and reduces a number of sites for 50%. On 28 June 2022, Infratel announced that all lots were awarded to INWIT forming a temporary joint venture with TIM and Vodafone for approximately €346 million. On 29 July 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 28 January 2022 Infratel launched a tender for the supply of ultra-broadband 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 11 April 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 6 June 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 20 September 2022.

"Connected School" Plan

The "*Connected School*" plan aims to complete the 2020-2023 School Plan launched by the Italian Government on 5 May 2020, that provided for the supply of an ultra-broadband 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 26 February 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 28 January 2022 Infratel launched a new tender, with a total budget of over €184 million to be awarded for the supply of ultra-broadband 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 6 June 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 20 September 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 fibre optic connections with the mainland. In particular, the islands will be equipped with an optical backhaul that will allow a development of an ultra-broadband 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 fibre optic cables for the construction of the "*Smaller Islands*" plan was launched on 18 November 2021 and ended on 22 December 2021. The tender was abandoned and resubmitted by Infratel on 11 February 2022 with certain modifications. The tender was awarded to Elettra TLC on 28 April 2022 for approximately €45 million.

Ultrabroadband Vouchers Plan

The objective of the Ultrabound Vouchers Plan, launched on 5 May 2020 with a total allocation of more than €1 billion, is to promote and incentivize the demand for ultra-broadband 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 9 November 2020, with an allocation of €200 million, in favour 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 9 November 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 27 April 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 31 May 2022.

TIM submitted its observations on 31 May 2022.

The results of the consultation have not been published. However, on 22 March 2023, Infratel launched a supplementary consultation to the consultation concluded on 31 May 2022, which expired on 22 April 2023, to acquire opinions and observations regarding the following proposals for action:

- intervention in favour of families, without ISEE limitations and without an active "data" contract on the fixed broadband and ultra-broadband network;
- provision of a voucher of €300, to encourage subscriptions to at least 300Mbps 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.

TIM submitted its observations on 20 April 2023. The results of this new consultation have not yet been published.

Vouchers for businesses

The incentive scheme for businesses, approved by the European Commission on 15 December 2021, was launched on 1 March 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 31 December 2023, subject to the availability of the allocated resources.

On 22 March 2023, Infratel launched a new consultation regarding the "Voucher Plan for the incentivisation for business connectivity demand - Application services" expiring on 22 April 2023 in order to acquire opinions and observations regarding the following proposals for action:

- intervention in favour 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 14 January 2013, n. 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 20 April 2023. The results of this new consultation have not yet been published.

Emergency in Ukraine

Following Italian government's declaration of a state of emergency on 28 February 2022, aimed at ensuring support and assistance to the Ukrainian population on the national territory until 31 December 2022, TIM has, among other operators, voluntarily launched important solidarity initiatives particularly to support customers of Ukrainian origin residing in Italy allowing them to communicate free of charge or at discounted prices with their families in Ukraine.

Similarly to what it did in the past for previous emergencies and, most recently, related to the Covid-19 pandemic, AGCOM has set up a technical discussion table with operators in order to discuss further initiatives for the medium term support of the Ukrainian population. Equally, on 8 April 2022 TIM signed a joint declaration with other EU and Ukrainian operators to provide affordable or zero roaming services and international calls between the EU and Ukraine. The joint declaration aims to create a more stable framework to help refugees or displaced Ukrainians across Europe to stay in touch with their families and friends.

Spectrum

Ministry's auction for 5G frequencies was concluded in October 2018, and TIM was awarded the following blocks:

- 2 x 10 MHz FDD in the 700 MHz band;
- 80 MHz TDD in the 3.6-3.8 GHz band; and
- 200 MHz in the 26.5-27.5 GHz band.

The slots in 3.6-3.8 GHz and 26.5-27.5 GHz bands have been available from 1 January 2019, while the slots in 700 MHz band have been available from 1 July 2022 after the release of TV broadcasting service. All the frequency rights of use are expiring on 31 December 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

Following a favourable 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 31 December 2029.

Similarly, following a favourable opinion issued by AGCOM in its Resolution 66/22/CONS, in May 2022 TIM paid approximately €5 million to extend 20 MHz spectrum rights of use in the 3.4-3.6 GHz band until 31 December 2029.

Finally, 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.

Extension of Golden Power Legislation to broadband communication systems based on 5G technologies

Under the Golden Power Legislation, the Golden Power Authority may, among others, prohibit or impose undertakings on: (i) the acquisition of 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 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 scope of application of the 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. As mentioned, such plan is subject to the approval of the Italian Golden Power Authority, including through the potential imposition of undertakings.

On 5 September 2019, the Golden Power Authority has exercised the special powers in relation to TIM's disclosure concerning certain commercial agreements entered before 26 March 2019, related to the equipment and communication systems functional for the development of 5G technology. Failure to comply with the said reporting obligation provided under the Golden Power Legislation or with any veto or undertakings imposed by the Italian Golden Power Authority may result in the transaction, act or resolution being unwound or declared null and void, and in the perpetrators being subject to material monetary fines, i.e. no less than 1% of the turnover reported in the previous financial year (3% for failing to notify 5G-related transactions).

Antitrust

Antitrust Issues in Italy

TIM is subject to Italian competition laws, particularly Law no. 287 dated 10 October 1990 ("*Provisions aiming at protecting competition and the market*") that established the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*, "**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

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 1 May 2004, all National Competition Authorities 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.

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 5 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 30 June 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 450MHz 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 450MHz 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 700MHz 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. We 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).

In December 2015, Anatel auctioned remaining radio frequencies in the 1,800 MHz, 1,900 MHz and 2,500 MHz bands. We 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. We were the first ranked bidder in the lots for Recife, in the state of Pernambuco, and Curitiba, in the state of Paraná, based on our bids which totalled BRL 57.5 million. The corresponding authorization terms were executed by Anatel in July 2016.

In November 2021, TIM acquired 11 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 1,800MHz and 2,100MHz bands, which will be valid until 2032 and 2038 respectively.

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 15 June 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 1 January 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 Approves the Plan for Assignment, Destination and Distribution of Frequency Bands in Brazil ("**PDFF**");

(ii) Resolution No. 760/2023: this Resolution approved the Radio frequency jammers Regulation; and

(iii) Resolution No. 761/2023: this Resolution changed Telecommunication Services Quality Regulation ("**RQUAL**").

Resolutions Published in 2022:

(i) Resolution No. 749/2022: this Resolution approved the Telecommunications Services Numbering Regulation;

(ii) Resolution No. 750/2022: this Resolution changes the Telecommunications Services Regulation;

(iii) Resolution No. 751/2022: this Resolution amends the applicable regulation for changing procedures related to the inspection of the use of FUST;

(iv) Resolution No. 752/2022: this Resolution amends and revokes outdated and conflicting regulatory rules;

(v) Resolution No. 753/2022: this Resolution approved the Regulation of the Brazilian Communications Commissions;

(vi) Resolution No. 754/2022: this Resolution approved the new Regulation for the Universalization of Fixed Service provided in public regime;

(vii) Resolution No. 755/2022: this Resolution approved the ricing Regulation for the Fixed Service;

(viii) Resolution No. 756/2022: this Resolution changes the Regulation for Adaptation of Fixed Service Concessions;

(ix) Resolution No. 757/2022: this Resolution approved the new Regulation of Conditions of Use of Radiofrequencies; and

(x) Resolution No. 758/2022: this Resolution ensures the Brazil's commitment to comply with Mercosur telecommunication regulation.

Main Public Consultations / Call for Inputs Held in 2023:

(i) Public Consultation No. 18: Proposal for Satellite Exploitation Rights for Echostar and Omnispace in Band S (1.980-2.010 MHz/2.170-2.200 MHz);

(ii) Public Consultation No. 17: Proposal for an Act for Technical Operational Requirements for coexistence in 700MHz

(iii) Public Consultation No. 27: Technical and operational requirements for radio navigation and radiolocation applications; and

(iv) Call for inputs No. 13: Regulation of the duties of users of telecommunications services.

Main Public Consultations Held in 2022:

(v) Public Consultation No. 17: Revision proposal of the Joint Regulation No. 04/14 approved by the National Electric Power Agency ("**ANEEL**") and Anatel to regulate the use of poles by telecommunication operators;

(vi) Public Consultation No. 23: Proposal for an Act for the use of radiofrequency bands between 4,800 and 4,990 MHz;

(vii) Public Consultation No. 27: Technical and operational requirements for radio navigation and radiolocation applications;

(viii) Public Consultation No. 36: Technical and operational requirements for coexistence and protection of radio altimeters;

(ix) Public Consultation No. 41: Proposal to simplify the Services Regulation;

(x) Public Consultation No. 48: Proposal of Anatel's Regulatory Agenda for 2023-204;

(xi) Public Consultation No. 54: Proposal to update the Operating Procedure for Assigning Numbering Resources;

(xii) Public Consultation No. 79: Proposal of technical requirements to Automated Frequency Coordination (AFC) in 6 GHz frequency; and

(xiii) Public Consultation No. 82: Proposal of Satisfaction Assessment Survey Application Manual.

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 4 October, 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 personal communications services ("**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 ("**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 is expected to be approved in the first half of 2023.

In December 2019, Anatel approved Telecommunication Services Quality Regulation ("**RQUAL**"), which came into force in March 2022.

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 certain fines that did not cause a material adverse effect on the Brazil Business Unit's business. On 31 December 2022, the total amount of these fines was BRL 270.1 million (after adjusting for inflation). However, only BRL 31.2 million (after adjusting for inflation) was classified as "*probable loss*" by the Brazil Business Unit's legal advisors. The significant amount related to fines classified as "*possible loss*" is a result of ongoing litigation.

On 22 August 2019, Anatel's board of officers unanimously approved the execution of a Conduct Adjustment Agreement ("**TAC**") with TIM S.A., effective for 4 years from 1 July 2020. The agreement covers fines imposed against us in the total amount of BRL 639 million. The commitment TIM S.A assumed, as also approved by its Board of Directors on 19 June 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 (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, of which 338 with less than 30,000 inhabitants thus reaching over 3.4 million people, the application of Internal Controls Management to ensure compliance with the closed proposal and the commitment to not impose inspection obstructions.

The Brazil Business Unit continues to commit to fully comply with its obligations under the PCS regime or with future changes in the regulations to which it is subject.

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 8 November 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 8 November 2012); (iii) passive infrastructure for transport and access networks (Act No. 6,620, of 8 November 2012); (iv) mobile network termination (Act No. 6,621, of 8 November 2012); and (v) national roaming (Act No. 6,622, of 8 November 2012). On 5 December 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 22 March 2017.

In July 2018, Anatel published the new PGMC (the "**New PGMC**") reviewing some of its points and set up new markets: (i) national roaming and (ii) high capacity data transport. According to the New PGMC 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:

PGMC 2012	**New PGMC**
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 New PGMC, 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 an 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 PGMC 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 PGMC, 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 4 July 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 7 July 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 19 December 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 24 February 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 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 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 12 February 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 PGMC 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 PGMC. 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 1 January 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 PGMC 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 4 July 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 7 July 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 19 December 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 24 February 2020, published the new Acts Nos. 986/2020 and 987/2020. Finally, on April 2023, Anatel published the corresponding Acts 3.247/2023 and 3.246/2023, which predict TU-RL and VU-M values from February 2024

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 4 July 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 11 May 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 14 August 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 18 September 2020. However, the administrative sanctions provisions of LGPD only became enforceable as of 1 August 2021, pursuant to Law No. 14,010/2020. Cybersecurity incidents and data breach or leakage events may subject us 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 our 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, Espirito 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 450MHz band in specific geographic regions of Brazil. Then, in 2022, through Act No. 12,827, published on 13 September 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, Espirito Santo, Santa Catarina, and Paraná). The joint bid allowed us 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 700MHz 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 cleanup 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 cleanup. The price allocated to the cleanup 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 11 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 1,800MHz and 2,100MHz 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:

Frequencies

UF	700 MHz	800 MHz	900 MHz	1800 MHz	Additional 1800 MHz	1900 MHz/2100 MHz (3G)
Acre	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Alagoas	December 2029	December 2023*	December 2023*	December 2023*	-	April 2038
Amapa	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Amazonas	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Bahia	December 2029	August 2027*	August 2027*	August 2027*	-	April 2038
Ceara	December 2029	November 2023*	November 2023*	November 2023*	-	April 2038
Distrito Federal	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Espirito Santo	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Goias	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Maranhao	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Mato Grosso	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Mato Grosso do Sul	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Minas Gerais ***	December 2029	April 2028*	April 2028*	April 2028*	December 2032	April 2038
Para	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Paraiba	December 2029	December 2023*	December 2023*	December 2023*	-	April 2038
Parana	December 2029	November 2028* and March 2031* for the cities of Londrina and Tamarana	December 2032* and March 2031* for the cities of Londrina and Tamarana	December 2032* and March 2031* for the cities of Londrina and Tamarana	December 2032	April 2038
Pernanbumco	December 2029	May 2024*	May 2024*	May 2024*	-	April 2038
Piaui	December 2029	March 2024*	March 2024*	March 2024*	-	April 2038
Rio de Janeiro	December 2029	March 2031*	March 2031*	March 2031*	-	April 2038
Rio Grande do Norte	December 2029	December 2023*	December 2023*	December 2023*	-	April 2038
Rio Grande do Sul	December 2029	March 2031* and April 2024* city of Pelotas and its surrounding region	March 2031* and April 2024* city of Pelotas and its surrounding region	March 2031* and April 2024* city of Pelotas and its surrounding region	December 2032	April 2038
Rondonia	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Roraima	December 2029	March 2031*	March 2031*	March 2031*	December 2032	April 2038
Santa Catarina	December 2029	September 2023*	September 2023*	September 2023*	December 2032	April 2038
Sao Paulo	December 2029	March 2031*	March 2031*	March 2031*	Interior - December 2032	April 2038
Sergipe	December 2029	August 2027*	August 2027*	August 2027*	-	April 2038
Tocantins	December 2029	March 2031*	March 2031*	March 2031*	December 2032	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 centres, making no difference to the technical architecture built in a big metropolitan centres.

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 1 March 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.

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 behaviour 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, paedophilia, 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 1 January 2023. However, on 2 January 2023, it was revoked by the newly elected Government, reestablishing 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 1 January 2023. However, on 2 January 2023, it was revoked by the new Government, reestablishing 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 favour of companies part of the Brazil Business Unit's favour. 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 it 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 is required to operate in accordance with the quality standards established by Anatel. If it fails to meet the minimum quality standards required, TIM is subject to Obligation Non-Compliance Determination Procedures ("**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 RQUAL); and (2) default of certain other obligations assumed under the Terms of Authorization and pertinent regulations. In its defence 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 together with (i) in the case of financial information as of and for the three months ended 31 March 2023 and 31 March 2022, the Q1 2023 Consolidated Financial Information; (ii) in the case of financial information as of and for the years ended 31 December 2022 and 31 December 2021, the 2022 Consolidated Financial Statements; and (iii) in the case of financial information as of and for the year ended 31 December 2020, the 2021 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 "Cautionary Statement Regarding 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 terms "we", "our", "us" and "TIM Group" refer to the business constituting the TIM Group as of the date of this Information Memorandum even though we may not have owned such business for the entire duration of the periods presented.

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 we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-IFRS measures internally to manage and assess the results of our 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 in our industry, and thus are a basis for comparability between us and our 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 Information 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 Consolidated Financial Statements. The 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 2022 Consolidated Financial Statements and the 2021 Consolidated Financial Statements.

Exchange Rate Information

Certain financial information contained herein has been translated from Brazilian Real ("***BRL***") into Euro solely for your convenience. We 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. The average exchange rate used for the translation of BRL into Euro (expressed in terms of units of BRL per 1 Euro) herein is 5.57246 for the three months ended 31 March 2023, 5.86784 for the three months ended 31 March 2022, 5.43993 for the year ended 31 December 2022, 6.35936 for the year ended 31 December 2021 and 5.88806 for the year ended 31 December 2020.

Operating Segments

The TIM Group operates its business through a vertically integrated model, which comprises 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 2022 Consolidated Financial Statements and Notes 1 and 38 to the 2021 Consolidated Financial Statements for further details on each segment. Other than as described below, the presentation of our operating segments in the Q1 2023 Consolidated Financial Information corresponds to the presentation in the 2022 Consolidated Financial Statements.

The TIM Group Business Units described below are presented in line with the 2022 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 TIM Group's own networks, 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 31 December 2022, 2021 and 2020, 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, small offices/home offices, the Italian public sector and other large accounts, and 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 three months ended on 31 March 2023, revenues generated by our 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), 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 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 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 Telefonia Mobile Sammarinese.

- *Wholesale International Market:* The Wholesale National 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 S.p.A.; 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 with the objective of separating its fixed-line network infrastructural assets and shifting from the existing vertically integrated business model. The delayering under the 2022-2024 Industrial Plan was initially approved in 2022, and on 14 February 2023 the Board approved the continuation of the Delayering Plan under the 2023-2025 Industrial Plan. The process for setting up the legal entities to give effect to the delayering was set into motion in November 2022. Following completion of the delayering, it is expected that the TIM Group will operate its business through the following four business segments:

- **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 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 centre assets.

- **TIM Brasil**: The existing Brazil Business Unit will be reclassified as the TIM Brasil segment.

- **NetCo**: The NetCo business segment will include primary and secondary fixed network assets of the TIM Group, as well as the domestic and international wholesale businesses.

For more details of the Delayering Plan, please see "*Summary—The TIM Group's Strategy*" and "*Summary—Recent Developments—Potential NetCo Separation*".

The post-delayering business segments described herein are not considered "*operating segments*" in accordance with IFRS 8 (*Operating segments*). See Note 1 to the 2022 Consolidated Financial Statements for further information".

Key Factors Affecting Our Results of Operations and their Comparability

Our 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 our business and our results of operations are discussed below.

Acquisitions and Integration of Businesses, Disposals and Strategic Initiatives

We have 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 our results of operations based on the Consolidated Financial Statements may be affected. For example, on 4 April 2022, the TIM Group completed the acquisition of Oi's mobile business in Brazil, which affects the comparability of financial information for our Brazil Business Unit as of and for the year ended 31 December 2022 and as of and for the year ended 31 December 2021. See "*—Discussion and Analysis of Our Results of Operations—Year Ended 31 December 2022 compared to the Year Ended 31 December 2021*". In addition, we generally record goodwill relating to acquisitions. As of 31 March 2023, the goodwill recorded on the TIM Group's consolidated statement of financial position amounted to €19,118 million, compared to €19,111 million as of 31 December 2022, and €18,568 million as of 31 December 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 31 December 2021, our goodwill impairment loss amounted to €4.12 billion. For the three months ended 31 March 2023, we did not identify any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable. Therefore, in the first quarter of 2023 no impairment review has been performed and we did not incur any impairment losses.

We continuously evaluate strategic options to further our deleveraging strategy (both organically and through the strategic options created by the Delayering Plan) and to achieve a long-term sustainable capital structure. Such options may include Deconsolidation Deleveraging, acquisitions and disposals and other opportunistic transactions that are available to us on favourable terms. See "*Summary—The TIM Group's Strategy*".

Macroeconomic and Geopolitical Developments

Our operations are subject to macroeconomic and geopolitical risks that are outside of our 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 our financial condition. See "*Risk Factors—Risks Related to Macroeconomic Conditions*".

For example, our results of operations in the periods under review have been affected by adverse economic conditions in our 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 our products and services in these markets.

Competition and Pricing

In each of the jurisdictions in which we operate, we face 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 our results of operations in the periods under review. See "*Risk Factors—Risks Related to the Business Activity and Industries of the TIM Group*", "*Business of the TIM Group*" and "*Industry Overview*". Given the competitive dynamics and the prevalent macroeconomic environments in the markets in which we operate, during the periods under review, we have introduced pricing mechanisms for adjusting our product and service offerings to account for increased costs, primarily associated with heightened inflation, in order to reduce pressure on cash costs. Certain of our competitors may not pursue price-based competition, which could contribute to a loss of our market share and further increase pricing pressure in our retail business. The telecommunications market is also experiencing consolidation and globalization, which may further intensify competition and affect our results of operations. For a description of the competitive landscape in the key geographies in which the TIM Group operates, see "*Industry Overview*".

Network Upgrades

Our ability to provide new or enhanced telecommunications services and to grow our subscriber base depends in part on our ability to upgrade our network infrastructure, which is capital intensive. We have invested heavily in building our market leading, next-generation fixed and mobile network infrastructure over time and remain committed to further developing and future-proofing our network by investing in the latest network technologies. Among other things, we plan to continue our FTTH roll-out and to update and expand our mobile network, with a particular focus on our 5G network expansion in Italy which is supported by the valuable spectrum rights that we have acquired over time. We believe that our investment plans, in part supported by government initiatives, uniquely position us 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, and to deliver our primary goal of having the best network for our customers.

During the periods under review, we have incurred significant capital expenditures in order to upgrade our fixed and 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. 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—The TIM Group's businesses are subject to cybersecurity risks*" below.

Debt Service Obligations

We have 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"* included elsewhere in this Information Memorandum. Our significant level of debt places us at a competitive disadvantage relative to competitors with lower leverage and could have important consequences, including, but not limited to, restricting our ability to exploiting other business opportunities and increase our vulnerability to, and reduce our flexibility to respond to, adverse general economic or industry conditions. See "*Risk Factors—Risks Relating to the TIM Group's Indebtedness—The substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may prevent the Issuer from fulfilling its obligations, including its payment obligations under the Notes*".

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is Euro but a significant portion of our revenue and expenses are currently earned or incurred in other currencies (primarily BRL). We are therefore exposed to foreign currency exchange risk. As a result, our reported results of operations can deviate from the results of our businesses on a local currency basis. The exchange rate the Euro and other currencies in the markets in which we operate has been volatile in the past and may continue to be volatile in the future. Although we attempt to mitigate currency risk to an extent through hedging, sharp changes in the exchange rate could have a material effect on our results of operations.

Our borrowings are denominated primarily in Euro, U.S. dollars and BRL, but do not necessarily match the cash flows generated from our operations. In addition, a portion of our borrowings bear a floating rate of interest. While we hedge the risk of certain currency and interest rate fluctuations in respect of a portion of our existing debt, these arrangements may not insulate us completely from such exposure. See "*Risk Factors—Risks Related to Macroeconomic Conditions—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

We use several key operating measures to evaluate the performance of our 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 our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The tables below set forth our key operating measures by business unit and relevant segments as of for the three months ended 31 March 2023 and 2022 and as of the years ended 31 December 2022, 2021 and 2020:

*Domestic Business Unit**:** Fixed*

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
Total TIM Retail accesses (thousands)	8,216	8,539	8,290	8,647	8,791
of which NGN[(1)]...	*5,487*	*5,244*	5,417	5,186	4,432
Total TIM Wholesale accesses (thousands)	7,453	7,729	7,525	7,729	7,974
of which NGN...	5,206	*4,997*	5,171	4,819	4,220
Active Broadband accesses of TIM Retail (thousands)	7,379	7,643	7,443	7,733	7,635
Consumer ARPU (€/month)[(2)]...................................	27.3	28.4	28.3	30.1	33.0
BroadBand ARPU (€/month)[(3)].................................	34.5	33.0	35.6	33.4	31.3

(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 three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
Lines at period end (thousands).................................	30,201	30,395	30,407	30,466	30,170
of which Human	18,297	18,799	18,438	19,054	19,795
Churn rate (%)[(1)]..	3.7	3.7	13.3	14.7	18.6
BroadBand users (thousands)[(2)].................................	12,584	12,717	12,577	12,783	12,818
Retail ARPU (€/month)[(3)]..	6.7	7.0	7.1	7.5	8.0
Human ARPU (€/month)[(4)]..	11.1	11.3	11.5	11.7	12.1

(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 three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
Lines at period end (thousands)[(1)]...............................	61,721	52,305	62,485	52,066	51,443
Mobile ARPU[(2)] (BRL)	27.7	27.4	26.1	26.4	24.9

(1) Includes corporate lines.

(2) Includes blended ARPU (pre-paid and post-paid).

Non-Recurring Events

In the three months ended 31 March 2023 and 2022 and in the years ended 31 December 2022, 2021 and 2020, we 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 our 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 capitalisation of labour 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.

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. We believe that this measure is useful to readers of the Consolidated Financial Statements as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results that allows investors to better identify trends in our 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 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 Our Results of Operations for the three months ended 31 March 2023 compared to the three months ended 31 March 2022

The below table sets forth the TIM Group's separate consolidated income statement for the three months ended 31 March 2023 and 31 March 2022.

Separate Consolidated Income Statement	**For the three months ended 31 March**	
(€m)	**2023**	**2022**
Revenues	**3,847**	**3,644**
Other Income	37	37
Total operating revenues and other income	**3,884**	**3,681**
Acquisition of goods and services	(1,756)	(1,620)
Employee benefits expenses	(1,089)	(731)
Other operating expenses	(181)	(168)
Change in inventories	41	20
Internally generated assets	140	134

Separate Consolidated Income Statement **(€m)**	**For the three months ended 31 March** **2023**	 **2022**
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**1,039**	**1,316**
Depreciation and amortization	(1,201)	(1,107)
Gains (losses) on disposals of non-current assets	—	—
Impairment reversals (losses) on non-current assets	—	—
Operating profit (loss) EBIT	(162)	**209**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(4)	16
Other income (expenses) from investments	—	—
Finance income	322	325
Finance expenses	(693)	(642)
Profit (loss) before tax continuing operations	**(537)**	**(92)**
Income tax expense	(85)	(50)
Profit (loss) from continuing operations	(622)	**(142)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit/(loss) for the period	(622)	**(142)**
Attributable to:		
Owners of the Parent	**(689)**	**(204)**
Non—controlling interests	67	62

Non-Recurring Events

Our results of operations as of and for three months ended 31 March 2023 were significantly impacted by non-recurring net operating expenses during the first quarter 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 three months ended 31 March 2023 included €416 million in employee benefits expenses mainly relating to outgoing managerial and non-managerial staff incurred in connection with corporate reorganization and restructuring processes, in accordance with the application of Art. 4 of Italian Law no. 92 of 28 June 2012 (the so-called "*Riforma Fornero*") and the former Art. 41, subsection 5bis, of Italian Legislative Decree no. 148/2015, and agreements signed during the year ended 31 December 2022, with certain trade unions relating to the Italian companies comprising the Domestic Business Unit) which provide for redundancy incentives for up to 2,000 TIM Group employees and is valid until 30 November 2023 (the "***Corporate Reorganization and Restructuring Process***").

Revenue

For the three months ended 31 March 2023, the TIM Group generated total revenues of €3,847 million, a 5.6% increase compared to €3,644 million for the three months ended 31 March 2022. This increase in total revenue was principally due to increased revenue generated by our Brazil Business Unit offsetting the marginal decrease of revenue generated by our Consumer and Small Medium Business (SMB) and Wholesale International Market segments of the Domestic Business Unit.

The following table sets forth the TIM Group's revenue by business unit for the three months ended 31 March 2023 and 2022, respectively:

	For the three months ended 31 March	
(€m)	**2023**	**2022**
Domestic	2,843	2,846
Brazil	1,012	806
Other Operations	—	—
Adjustments and eliminations	*(8)*	*(8)*
Consolidated Total	**3,847**	**3,644**

Domestic Business Unit

Revenues generated by our Domestic Business Unit for the three months ended 31 March 2023, amounted to €2,843 million a 0.1% decrease compared to €2,846 million for the three months ended 31 March 2022. Revenues by operating segment differ from those published in the Q1 2022 Financial Information due to reclassifications to the segments caused by organizational changes in the year ended 31 December 2022. In particular, monthly revenue streams related to Mobile Virtual Network Operator (MVNOs) were reclassified from our Consumer segment to our National Wholesale Market segment.

The table below breaks down our Domestic Business Unit revenue by operating segment for the three months ended 31 March 2023 and 31 March 2022, respectively:

	For the three months ended 31 March	
(€m)	**2023**	**2022**
Consumer and Small Medium Business (SMB)	1,379	1,467
Enterprise	692	667
Wholesale National Market	494	478
Wholesale International Market	228	239
Other	50	(5)
Consolidated Total	**2,843**	**2,846**

Consumer and Small Medium Business (SMB): Revenues from our Consumer and Small Medium Business (SMB) segment for the three months ended 31 March 2023 amounted to €1,379 million, a 6% decrease compared to €1,467 million for the three months ended 31 March 2022.

Mobile services revenues for the three months ended 31 March 2023 totalled, in organic terms, €517 million, a €28 million or 5.2% decrease compared to the three months ended 31 March 2022. The impact of the competitive dynamic remained the same for the three months ended 31 March 2023 compared to the three months ended 31 March 2022, albeit with a lesser reduction of the customer base calling. However, the revenues from traffic for the three months ended 31 March 2023 decreased compared to the three months ended 31 March 2022, due to the progressive reduction of interconnection tariffs.

Fixed services revenues for the three months ended 31 March 2023 totalled, in organic terms, €735 million, a €63 million or 7.9% decrease compared to the three months ended 31 March 2023. This decrease is mainly due to the reduction in ARPU levels and the customer base, as well as the difference in the activation contribution and the application of the ECC providing for elimination of withdrawal contributions.

Handset and Bundle & Handset revenues totalled €132 million for the three months ended 31 March 2023, a €0.2 million decrease compared to the three months ended 31 March 2022. Specifically, mobile services revenues decreased by €14.1 million, while fixed services revenues increased by €13.9 million. This change is mainly due to a progressive slowing of the mobile terminals market.

Enterprise: Revenues generated by the Enterprise segment for the three months ended 31 March 2023 amounted to €692 million, a 3.8% increase compared to €667 million for the three months ended 31 March 2022. In particular:

Mobile service revenues for the three months ended 31 March 2023 were in line with the mobile service revenues for the three months ended 31 March 2022. Fixed service revenues for the three months ended 31 March 2023 increased by €23 million or 4.5% compared to the three months ended 31 March 2022, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: Our Wholesale National Market segment generated revenues in an amount of €494 million for the three months ended 31 March 2023, a 3.3% increase compared to €478 million for the three months ended 31 March 2022. This increase is due to the positive impact of regulatory price dynamics.

Wholesale International Market: Revenues generated by our Wholesale International Market segment for three months ended 31 March 2023 amounted to €228 million, a 4.7% decrease compared to €239 million for the three months ended 31 March 2022, mainly due to the reduction in one-off items.

Brazil Business Unit

Our Brazil Business Unit generated revenues of €1,012 million (BRL 5,640 million) for the three months ended 31 March 2023, a 25.5% increase compared to €806 million (BRL 4,727 million) for the three months ended 31 March 2022.

This was primarily driven by an increase in service revenues of 19.3%, from BRL 4,584 million for the three months ended 31 March 2022 to BRL 5,467 million for the three months ended 31 March 2023. Mobile services revenues for the three months ended 31 March 2023 increased by 20.2% compared to the three months ended 31 March 2022. This performance is due to the continuous improvement of the pre-paid and post-paid segments, supported by the acquisition of the mobile assets of Oi. Fixed services revenues for the three months ended 31 March 2023 increased by 6.1% compared to the three months ended 31 March 2022. This increase is mainly driven by the growth rate of TIM Live. Product sales revenues increased from BRL 173 million for the three months ended 31 March 2023 to BRL 143 million for the three months ended 31 March 2022.

Other Income

Other income for the three months ended 31 March 2023, amounted to €37 million, which remained stable compared to other income for the three months ended 31 March 2022.

Acquisition of goods and services

For the three months ended 31 March 2023, acquisition of goods and services amounted to €1,756 million, compared to €1,620 million for the three months ended 31 March 2022.

Employee Benefits Expenses

For the three months ended 31 March 2023, employee benefits expenses amounted to €1,089 million, compared to €731 million for the three months ended 31 March 2022. The increase of €358 million was mainly driven by higher employee benefits expenses mainly relating to the Corporate Reorganization and Restructuring Process.

Other Operating Expenses

For the three months ended 31 March 2023, other operating expenses increased to €181 million, from €168 million for the three months ended 31 March 2022.

Internally Generated Assets

For the three months ended 31 March 2023, internally generated assets increased to €140 million, from €134 million for the three months ended 31 March 2022.

EBITDA

For the three months ended 31 March 2023, the TIM Group's EBITDA amounted to €1,039 million, a 21% decrease compared to €1,316 million for three months ended 31 March 2022.

For the three months ended 31 March 2023, EBITDA suffered from non-recurring net expenses totalling €420 million, mainly relating to employee benefits expenses and employee provisions connected to the Corporate Reorganization and Restructuring Process.

For the three months ended 31 March 2022, EBITDA suffered net non-recurring charges in an amount of €71 million, mainly related to the Corporate Reorganization and Restructuring Process, provisions for disputes, regulatory sanctions and related potential liabilities, and expenses related to agreements and the development of non-recurring projects.

The table below sets forth the TIM Group's EBITDA by business unit for the three months ended 31 March 2023 and 2022, respectively:

	For the three months ended 31 March	
(€m)	**2023**	**2022**
Domestic	582	962
% of Revenues	*20.5*	*33.8*
Brazil	459	356
% of Revenues	*45.4*	*44.2*
Other Operations	(2)	(2)
Adjustments and eliminations	—	—
Consolidated Total	**1,039**	**1,316**

Domestic Business Unit

EBITDA generated by our Domestic Business Unit for the three months ended 31 March 2023, amounted to €582 million a 39.5% decrease compared to €962 million for the three months ended 31 March 2022. In particular, EBITDA for the three months ended 31 March 2023 was impacted by non-recurring items in the amount of €418 million, whilst EBITDA for three months ended 31 March 2022 reflected a total impact of €67 million from non-recurring items.

Brazil Business Unit

For the three months ended 31 March 2023, our Brazil Business Unit contributed €459 million in EBITDA, a 28.9% increase from €356 million for the three months ended 31 March 2022. This increase is due to the positive performance of service revenues strengthened by the acquisition of the Oi Móvel assets.

Depreciation and Amortization

For the three months ended 31 March 2023, depreciation and amortization amounted to €1,201 million, a 8.5% increase compared to €1,107 million for the three months ended 31 March 2022.

Operating profit (loss) (EBIT)

For the three months ended 31 March 2023, EBIT amounted to a negative €162 million, compared to a positive €209 million for the three months ended 31 March 2022. This decrease is primarily due to the decrease in EBITDA, due to the factors described in "*—EBITDA*" above, as well as the increase in depreciation and amortization, in each case for the three months ended 31 March 2023.

Domestic Business Unit

For the three months ended 31 March 2023, Domestic Business Unit EBIT amounted to negative €303 million compared to a €92 million for the three months ended 31 March 2022, primarily as a result of the impact of non-recurring items.

Brazil Business Unit

EBIT attributable to the Brazil Business Unit totalled €143 million (BRL 796 million) for the three months ended 31 March 2023, an increase of 19.2% from €120 million (BRL 703 million) for the three months ended 31 March 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 from €16 million in the three months ended 31 March 2022 to negative €4 million for the three months ended 31 March 2023.

Finance income

Finance income decreased by 0.9%, from €325 million in the three months ended 31 March 2022 to €322 million for the three months ended 31 March 2023.

Finance expenses

Finance expenses increased by 7.9%, from €642 million in the three months ended 31 March 2022 to €693 million for the three months ended 31 March 2023, primarily as a result of an increase of indebtedness.

Income tax expense

Income tax expense decreased by 70%, from €50 million in the three months ended 31 March 2022 to €85 million for the three months ended 31 March 2023.

Profit/(loss) for the period

Loss for the period increased by from €142 million in the three months ended 31 March 2022 to €622 million for the three months ended 31 March 2023. The reasons for this increase are disclosed in the foregoing sections.

Discussion and Analysis of Our Results of Operations for the year ended 31 December 2022 compared to the year ended 31 December 2021

The below table sets forth the TIM Group's separate consolidated income statement for the year ended 31 December 2022 and 31 December 2021.

	For the year ended 31 December	
(€m)	**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**
of which: impact of non-recurring items	*(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)**
of which: impact of non-recurring items	*(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)**
of which: impact of non-recurring items	*(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)**
of which: impact of non-recurring items	*(2,437)*	*(8,653)*
Attributable to:		
Owners of the Parent	**(2,925)**	**(8,652)**
Non-controlling interests	271	252

Non-Recurring Events

Our results of operations as of and for the year ended 31 December 2022 and the year ended 31 December 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 31 December 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 31 December 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 31 December 2022; and

- €23 million in income for recovery of operating expenses.

Net non-recurring events for the year ended 31 December 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 at 31 December 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 Art. 4 of Italian Law no. 92 of 28 June 2012, and per the agreement entered into between certain TIM Group companies and certain trade union organizations on 21 March 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 31 December 2022, the TIM Group generated total revenues of €15,788 million, a 3.1% increase compared to €15,316 million for the year ended 31 December 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 31 December 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 31 December 2022 and 31 December 2021, respectively:

	For the year ended 31 December	
(€m)	**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 31 December 2022, revenues from our Domestic Business Unit amounted to €11,858 million, a decrease of €647 million or 5.2% compared to the year ended 31 December 2021.

For the year ended 31 December 2022, revenues from stand-alone services amounted to €10,799 million, a decrease of €384 million or 3.4% compared to the year ended 31 December 2021, primarily due to the impact of increasing competition on our customer base, as well as reduction in ARPU levels. See "*—Key Factors Affecting Our Results of Operations and Their Comparability—Competition and Pricing*". In organic terms, revenues from stand-alone services for the year ended 31 December 2022 decreased by €422 million or 3.8% compared to the year ended 31 December 2021.

More specifically, for the year ended 31 December 2022, revenues 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 31 December 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 31 December 2022, increased by €308 million or 22.7% compared to the year ended 31 December 2021.

Revenues from stand-alone Mobile services for the year ended 31 December 2022 decreased by €91 million or 2.9% to €3,060 million compared to the year ended 31 December 2021, mainly due to the reduction in our customer base connected with Human lines and ARPU levels.

For the year ended 31 December 2022, revenues 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 31 December 2021, largely attributable to the performance of the fixed retail segment.

Revenues for the year ended 31 December 2022 include approximately €50 million relating to a portion of the commercial agreement signed in 2022 by TIM and FiberCop with Open Fiber, which requires Open Fiber to purchase from FiberCop, in the so-called white areas, the right of use (IRU) for overhead infrastructure and access connections to customer homes.

The table below breaks down our Domestic Business Unit revenue by operating segment for the year ended 31 December 2022 and 31 December 2021, respectively:

	For the year ended 31 December	
(€m)	**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 31 December 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 31 December 2022, revenues generated by our 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. Revenues from services, which amounted to €4,231 million for the year ended 31 December 2022, and which decreased by €339 million or 7.4% compared to the year ended 31 December 2021, were similarly affected.

Revenues from mobile services for the year ended 31 December 2022 amounted to €1,885 million, a decrease of €120 million or 6.0% compared to the year ended 31 December 2021, in large part due to the impact of the prevalent competitive market dynamics. Although call volume reductions lessened, revenues from traffic decreased due to the progressive reduction of interconnection tariffs.

Revenues from fixed services amounted to €2,369 million for the year ended 31 December 2022, a decrease of €231 million or 8.9% compared to the year ended 31 December 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.

Revenues for Handsets and Bundles & Handsets in the Consumer segment for the year ended 31 December 2022 amounted to €505 million, a decrease of €188 million or 27.1% compared to the year ended 31 December 2021, mainly due to the end of the phase 1 voucher program, with a reduction of sales of PCs and tablets.

Business: Revenues generated by the Business segment for the year ended 31 December 2022 amounted to €4,144 million, an increase of €27 million or 0.6% compared to the year ended 31 December 2021. Total mobile revenues and revenues from stand-alone services for the year ended 31 December 2022 each remained stable compared to the year ended 31 December 2021. Total fixed revenues for the year ended 31 December 2022 increased by €27 million or 0.8% compared to the year ended 31 December 2021. Revenues from services grew by 3.4%, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: Our Wholesale National Market segment revenues for the year ended 31 December 2022 reached €1,948 million, a decrease of €159 million or 7.6% compared to the year ended 31 December 2021. This decrease was mainly driven by non-recurring transactions in the year ended 31 December 2021.

Wholesale International Market: Wholesale International Market revenues for the year ended 31 December 2022 amounted to €992 million, a decrease of €16 million or 1.6% compared to the year ended 31 December 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 our strategy to rationalize voice revenues.

Other & Eliminations: Other & Eliminations revenues for the year ended 31 December 2022 amounted to €38 million compared to €10 million the year ended 31 December 2021, a decrease of €28 million compared to the year ended 31 December 2021.

Brazil Business Unit

For the year ended 31 December 2022, our Brazil Business Unit generated revenues of €3,963 million, an increase of €1,123 million compared to €2,840 million for the year ended 31 December 2021. Excluding revenues from the mobile business of the Oi Group (Cozani, acquired on 20 April 2022), revenues for the year ended 31 December 2022 would have amounted to €3,816 million.

The increase has been primarily due to service revenues that for the year ended 31 December 2022 amounted to €3,828 million, an increase of 19% compared to €3,216 million for the year ended 31 December 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. Revenues from fixed services for the year ended 31 December 2022 grew by 7.6% compared to the year ended 31 December 2021, due in large part to the growth rate of TIM Live.

Revenues from product sales for the year ended 31 December 2022 amounted to €129 million compared to €88 million for the year ended 31 December 2021.

Other Income

For the year ended 31 December 2022, other income decreased to €213 million from €272 million for the year ended 31 December 2021. This decrease was primarily due to the decrease in special training income of €66 million which, in the year ended 31 December 2021, included repayments valued for the hours of training delivered during the year.

Acquisition of Goods and Services

For the year ended 31 December 2022, acquisition of goods and services amounted to €7,239 million, compared to €6,550 million for the year ended 31 December 2021. This is comprised of increases in our Brazil Business Unit of €525 million (including an exchange gain of €175 million) and in our Domestic Business Unit of €163 million, in each case compared to the year ended 31 December 2021.

Employee Benefits Expenses

For the year ended 31 December 2022, the employee benefits expenses amounted to €3,180 million compared to €2,941 million for the year ended 31 December 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 our 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 31 December 2022, other operating expenses decreased to €816 million, from €1,502 million for the year ended 31 December 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 31 December 2022 amounted to €77 million, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities.

In the year ended 31 December 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 31 December 2022, internally generated assets increased to €559 million, from €475 million for the year ended 31 December 2021, primarily due to increased capitalisation of labour 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 31 December 2022, the TIM Group's EBITDA amounted to €5,347 million, a 5.3% increase compared to €5,080 million for the year ended 31 December 2021. Excluding the results of the Oi Group mobile business acquired in Brazil, consolidated EBITDA for the year ended 31 December 2022 would amount to €5,238 million. EBITDA for the year ended 31 December 2022 was impacted by non-recurring items in the amount of €682 million, whilst for the year ended 31 December 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 31 December 2022 and the year ended 31 December 2021, respectively:

	For the year ended 31 December	
(€m)	**2022**	**2021**
Domestic	3,519	3,730
% of Revenues	*29.7*	*29.8*
Brazil	1,839	1,362
% of Revenues	*46.4*	*48.0*

	For the year ended 31 December	
(€m)	**2022**	**2021**
Other Operations	(12)	(12)
Adjustments and eliminations	*1*	—
Consolidated Total	**5,347**	**5,080**

Domestic Business Unit

EBITDA generated by our Domestic Business Unit for the year ended 31 December 2022 amounted to €3,519 million, a decrease of €211 million or 5.7% for the year ended 31 December 2021.

Brazil Business Unit

EBITDA attributable to our Brazil Business Unit for the year ended 31 December 2022 was €1,839 million, a 35.0% increase compared to €1,362 million for the year ended 31 December 2021. For the year ended 31 December 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 31 December 2022, depreciation and amortization amounted to €4,777 million, compared to €4,490 million for the year ended 31 December 2021, primarily impacted by an increase in the amortization of rights of use assets in the year ended 31 December 2022.

Impairment reversals (losses) on non-current assets

For the year ended 31 December 2022, impairment reversals (losses) on non-current assets amounted to nil, compared to negative €4,120 million for the year ended 31 December 2021, which related primarily to goodwill impairment loss attributed to our Domestic Business Unit.

Operating profit (loss) (EBIT)

For the year ended 31 December 2022, Operating profit (loss) (EBIT) amounted to €606 million compared to negative €3,529 million for the year ended 31 December 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 31 December 2022, from €38 million for the year ended 31 December 2021.

Other income (expenses) from investments

For the year ended 31 December 2022, other income (expenses) from investments amounted to €206 million compared to €126 million for the year ended 31 December 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 31 December 2022, finance income (expenses) reflected a net expense of €1,423 million, compared to €1,150 million for the year ended 31 December 2021. The increase is 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 31 December 2022, income tax expense amounted to €2,066 million, compared to €3,885 million for the year ended 31 December 2021. This increase mainly reflects the impact of exercising the revocation option of the realignment of goodwill, resolved by TIM's Board of Directors on 9 November 2022, as permitted by the Italian government Budget Law for the year ended 31 December 2022 and as detailed in the Provision of the Revenue Agency Manager, published on 29 September 2022.

Profit (loss) for the year

For the year ended 31 December 2022, loss for the year was €2,654 million compared to loss for the year of €8,400 million for the year ended 31 December 2021. The reasons for this decrease are disclosed in the foregoing sections.

Discussion and Analysis of Our Results of Operations for the year ended 31 December 2021 compared to the year ended 31 December 2020

The below table sets forth the TIM Group's separate consolidated income statement for the year ended 31 December 2021 and 31 December 2020.

	For the year ended 31 December	
(€m)	**2021**	**2020**
Revenues	**15,316**	**15,805**
Other income	272	211
Total operating revenues and other income	**15,588**	**16,016**
Acquisition of goods and services	(6,550)	(6,173)
Employee benefits expenses	(2,941)	(2,639)
Other operating expenses	(1,502)	(961)
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**
of which: impact of non-recurring items	*(1,143)*	*(324)*
Depreciation and amortization	(4,490)	(4,616)
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**
of which: impact of non-recurring items	*(5,263)*	*(324)*
Share of losses (profits) of associates and joint ventures accounted for using the equity method	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**
of which: impact of non-recurring items	*(5,144)*	*121*
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**
of which: impact of non-recurring items	*(8,653)*	*6,048*
Attributable to:		
Owners of the Parent	**(8,652)**	**7,224**
Non-controlling interests	252	128

Non-Recurring Events

Our results of operations as of and for the year ended 31 December 2021 and the year ended 31 December 2020 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 31 December 2021 included:

- €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 at 31 December 2021. The new 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 Art. 4 of Italian Law no. 92 of 28 June 2012, and per the agreement entered into between certain TIM Group companies and certain trade union organizations on 21 March 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.

Non-recurring events for the year ended 31 December 2020 included:

- €39 million in adjustments to revenues, of which 38 million in discounts as a result of TIM customer support measures in relation to the COVID-19 pandemic;

- €58 million in 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;

- €74 million in employee benefits expenses primarily associated with corporate reorganization and restructuring processes and other costs; and

- €148 million of other operating expenses mainly in relation to provisions and expenses connected with the management of credits deriving from the worsening of the macroeconomic context following the COVID-19 emergency, costs for regulatory sanctions, as well as expenses related to agreements and the development of non-recurring projects.

Revenue

For the year ended 31 December 2021, the TIM Group generated total revenues of €15,316 million, a 3.1% decrease compared to €15,805 million for the year ended 31 December 2020.

The following table sets forth the TIM Group's revenue by business unit for the years ended 31 December 2021 and 31 December 2020, respectively:

	For the year ended 31 December	
(€m)	**2021**	**2020**
Domestic	12,505	12,905

	For the year ended 31 December	
(€m)	**2021**	**2020**
Brazil	2,840	2,933
Other Operations	—	—
Adjustments and eliminations	*(29)*	*(33)*
Consolidated Total	**15,316**	**15,805**

Domestic Business Unit

For the year ended 31 December 2021, revenues from our Domestic Business Unit amounted to €12,505 million, a decrease of €400 million or 3.1% compared to the year ended 31 December 2020.

Revenues from stand-alone services for the year ended 31 December 2021 amounted to €11,183 million, a decrease of €422 million or 3.6% compared to the year ended 31 December 2020, primarily due to the impact of increasing competition on our customer base, as well as reduction in ARPU levels that, in organic terms, for the year ended 31 December 2021, decreased by €439 million or 3.8% compared to the year ended 31 December 2020.

More specifically, for the year ended 31 December 2021, revenues from stand-alone fixed market services amounted to €8,574 million in organic terms, with a negative change of 2.3% compared to the year ended 31 December 2020, mainly due to a decrease in ARPU levels in our Consumer segment and a decline in revenues from broadband services of €93 million, or 4%, year on year. This was partially offset by growth in revenues from ICT solutions of €242 million or 22.9% over the same period.

Revenues from stand-alone mobile services for the year ended 31 December 2021 were €3,152 million in organic terms, a decline of €242 million or 7.1% compared to the year ended 31 December 2020, mainly due to a decline in ARPU levels and a reduction in our customer base connected with Human lines.

For the year ended 31 December 2021, revenues for Handset and Bundle & Handset, including the change in work in progress, remained stable at €1,322 million, an increase of €16 million compared to the year ended 31 December 2020. This was for the most part attributable to our fixed segment.

The table below breaks down our Domestic Business Unit revenue by operating segment for the year ended 31 December 2021 and 31 December 2020, respectively:

	For the year ended 31 December	
(€m)	**2021**	**2020**
Consumer	5,419	5,897
Business	4,117	4,087
Wholesale National Market	1,946	1,906
Wholesale International Market	1,008	966
Other & Eliminations	15	49
Consolidated Total	**12,505**	**12,905**

Consumer: For the year ended 31 December 2021, revenues generated by our Consumer segment amounted to €5,419 million, a decrease of €488 million or 8.3% compared to the year ended 31 December 2020, primarily affected by challenging competition and greater discipline in commercial processes. This trend also applied to revenues from stand-alone services, which amounted to €4,726 million for the year ended 31 December 2021, a decrease of €454 million or 8.8% compared to the year ended 31 December 2020.

Revenues from mobile stand-alone services amounted to €2,161 million in organic terms (a €182 million, or 7.8% decrease compared to the year ended 31 December 2020). This was impacted by a lesser reduction in call volumes, a decrease in revenue associated with roaming and incoming traffic and the progressive reduction of interconnection tariffs.

Revenues from fixed stand-alone services amounted to €2,600 million in organic terms for the year ended 31 December 2021 (a decrease of €270 million, or 9.4%, compared to the year ended 31 December 2020), primarily due to lower ARPU levels and the smaller customer base, which declined gradually over the course of 2021, partially offset by growth in Ultrabroadband customers.

Revenues for Handsets and Bundles & Handsets in the Consumer segment for the year ended 31 December 2021 amounted to €693 million, a decrease of €34 million, or 4.6%, compared to the year ended 31 December 2020, mainly due to a decline in sales volumes of fixed line modems.

Business: Revenues generated by the Business segment remained stable year over year and amounted to €4,117 million for the year ended 31 December 2021. Total mobile market revenues declined by 0.5% for the year ended 31 December 2021 as a result of a decline in revenues from stand-alone services of 4.4% as well as ARPU. Total fixed revenues for the year ended 31 December 2021 increased slightly by €6 million or 0.2% compared to the year ended 31 December 2020 due to an increase in revenues from ICT services.

Wholesale National Market: Our Wholesale National Market segment revenues for the year ended 31 December 2021 were €1,946 million, a €40 million increase compared to the year ended 31 December 2020, as a result of improved performance driven by the growth in accesses in the ultra-broadband segment.

Wholesale International Market: Wholesale International Market revenues for the year ended 31 December 2021 amounted to €1,008 million, a €42 million or 4.3% year on year increase, compared to the year ended 31 December 2020.

Other & Eliminations: Other & Eliminations revenues for the year ended 31 December 2021 amounted to €15 million compared to €49 million for the year ended 31 December 2020, a €34 million or 69.4% year on year decrease, compared to the year ended 31 December 2020.

Brazil Business Unit

For the year ended 31 December 2021, our Brazil Business Unit generated revenues of €2,840 million (BRL 18,058 million), a decrease of €93 million compared to €2,933 million (BRL 17,268 million) for the year ended 31 December 2020.

Net of exchange rate effect, the acceleration has been driven by service revenues equal to BRL 17,497 million (€2,751 million) for the year ended 31 December 2021 compared to BRL 16,665 million (€2,829 million) for the year ended 31 December 2020, an increase of 5.0%, with mobile service revenues growing by 4.7% year over year. This performance was mainly related to the recovery of the pre-paid and post-paid segments. Revenues from fixed services grew by 8.8% year over year, primarily as a result of the growth rate of TIM Live.

Revenues from product sales amounted to €88 million for the year ended 31 December 2021, compared to €102 million for the year ended 31 December 2020.

Other Income

For the year ended 31 December 2021, other income increased to €272 million from €211 million for the year ended 31 December 2020. This increase was mainly due to the increase in special training income of €54 million which, in the year ended 31 December 2021, included repayments valued for the hours of training delivered during the year.

Acquisition of goods and services

For the year ended 31 December 2021, acquisition of goods and services amounted to €6,550 million, compared to €6,173 million for the year ended 31 December 2020, for the most part due to increased costs of services and other lease and rental costs.

Employee Benefits Expenses

For the year ended 31 December 2021, employee benefits expenses amounted to €2,941 million compared to €2,639 million for the year ended 31 December 2020. The increase of €302 million was mainly driven by corporate restructuring expenses, which increased by €293 million for the year ended 31 December 2021, connected to various trade union agreements entered into by the TIM Group in 2021.

Other Operating Expenses

For the year ended 31 December 2021, other operating expenses increased to €1,502 million from €961 million for the year ended 31 December 2020. The increase is mainly attributable to an increase in provision charges, which for the year ended 31 December 2021 included a non-recurring Contractual Risk Provision for Onerous Contracts under IAS 37 of €548 million relating to ongoing relations with certain counterparties for the offer of multimedia content.

Internally generated assets

For the year ended 31 December 2021, internally generated assets decreased to €475 million from €502 million for the year ended 31 December 2020 due to small decreases in both intangible assets with a finite useful life as well as tangible assets.

EBITDA

For the year ended 31 December 2021, the TIM Group's EBITDA amounted to €5,080 million, a 25% decrease compared to €6,739 million for the year ended 31 December 2020. For the year ended 31 December 2021, EBITDA included net non-recurring charges of €1,143 million, of which €25 million was attributable to the COVID-19 pandemic in Italy. Comparatively, EBITDA for the year ended 31 December 2020 included non-recurring charges of €318 million (net of the change in scope and exchange effect of €6 million), of which €108 million was attributable to the COVID-19 pandemic in Italy.

The table below sets forth the TIM Group's EBITDA by business unit for the year ended 31 December 2021 and the year ended 31 December 2020, respectively:

	For the year ended 31 December	
(€m)	**2021**	**2020**
Domestic	3,730	5,339
% of Revenues	*29.8*	*41.4*
Brazil	1,362	1,407
% of Revenues	*48.0*	*48.0*
Other Operations	(12)	(9)
Adjustments and eliminations	—	—
Consolidated Total	**5,080**	**6,739**

Domestic Business Unit

EBITDA generated by our Domestic Business Unit for the year ended 31 December 2021 amounted to €3,730 million, a decrease of €1,609 million or 30.1% for the year ended 31 December 2021.

Brazil Business Unit

EBITDA attributable to our Brazil Business Unit for the year ended 31 December 2021 was €1,362 million, a 3.2% decrease compared to €1,407 million for the year ended 31 December 2020.

Depreciation and Amortization

For the year ended 31 December 2021, depreciation and amortization amounted to €4,490 million, compared to €4,616 million for the year ended 31 December 2020, primarily impacted by revisions to the useful life of IT software applications impacting amortization by €115 million in the year ended 31 December 2021. Furthermore, depreciation of tangible assets for the year ended 31 December 2021 included the estimated acceleration of depreciation as a consequence of both the switch off of 3G in Italy (equal to approximately €23 million) and the switch off of part of the copper access network in Italy (equal to €31 million).

Operating profit (loss) (EBIT)

For the year ended 31 December 2021, Operating profit (loss) (EBIT) amounted to negative €3,529 million compared to €2,104 million for the year ended 31 December 2020.

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 increased to €38 million for the year ended 31 December 2021, from €18 million for the year ended 31 December 2020.

Other income (expenses) from investments

For the year ended 31 December 2021, other income (expenses) from investments amounted to €126 million compared to €454 million for the year ended 31 December 2020. For the year ended 31 December 2021, this included a net capital gain of €119 million recognized following the dilution from 100% to 49% of the equity investment of 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 Brazil Cessão de Infraestruturas Ltda. (IHS Brazil). In the year ended 31 December 2020, other income (expenses) from investments mainly included the net capital gain of €441 million recognized following the dilution from 60% to 37.5% of the TIM Group's stake in the capital of INWIT as a result of the merger of INWIT with Vodafone Towers and capital gains deriving from the sale of additional share packages equal, in total, to 7.3% of INWIT's share capital, which amounted to €11 million.

Finance income and expenses

For the year ended 31 December 2021, finance income and expenses remained flat, with a net expense of €1,150 million, compared to €1,179 million for the year ended 31 December 2020. The slight improvement was driven by lower finance expenses, connected to the reduction in average debt exposure, only partially offset by the positive effects of the change of some non-cash currency and accounting items.

Income tax expenses

For the year ended 31 December 2021, income tax expense amounted to €3,885 million, compared to positive €5,955 million for the year ended 31 December 2020, mainly as a result of the partial write-off of the deferred tax assets in the year ended 31 December 2020 in exchange for tax recognition of higher values, booked in accordance with Decree Law 104/2020 Art. 110, subsections 8 and 8 bis. This write-off is due to the extension to 50 years of the period of tax asset absorption, introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recoverability of deferred tax assets of TIM.

Profit (loss) for the year

For the year ended 31 December 2021, loss for the year was €8,400 million compared to €7,352 million for the year ended 31 December 2020. The reasons for this increase 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 31 March 2023, the TIM Group's liquidity margin amounted to €8,151 million, comprising cash and cash equivalents of €4,151 million and committed but undrawn amounts under our sustainability-linked revolving credit facility of €4,000 million.

Our most significant financial obligations are our debt obligations. As of 31 March 2023, the TIM Group's consolidated gross financial debt was €31,868 million.

Provided below is an overview of the TIM Group's outstanding debt securities as of 31 March 2023:

Issuer	Currency	Aggregate Principal Amount	Coupon / Margin	Maturity Date
TIM S.p.A. [(1)]	GBP	375	5.875%	19 May 2023
TIM S.p.A.	Euro	1,000	2.500%	19 July 2023
TIM S.p.A.	Euro	750	3.625%	19 January 2024
TIM S.p.A.	Euro	1,250	4.000%	11 April 2024
TIM S.p.A.	USD	1,500	5.303%	30 May 2024

TIM S.p.A.	Euro	1,000	2.750%	15 April 2025
TIM S.p.A.	Euro	1,000	3.000%	30 September 2025
TIM S.p.A.	Euro	750	2.875%	28 January 2026
TIM S.p.A.	Euro	1,000	3.625%	25 May 2026
TIM S.p.A.	Euro	1,250	2.375%	12 October 2027
TIM S.p.A.	Euro	850	6.875%	15 February 2028
TIM S.p.A.	Euro	1,000	1.625%	18 January 2029
TIM S.p.A.	Euro	670	5.250%	17 March 2055
Telecom Italia Finance S.A.[(2)]	Euro	1,015	7.750%	24 January 2033
Telecom Italia Capital S.A.[(2)]	USD	1,000	6.375%	15 November 2033
Telecom Italia Capital S.A.[(2)]	USD	1,000	6.000%	30 September 2034
Telecom Italia Capital S.A.[(2)]	USD	1,000	7.200%	18 July 2036
Telecom Italia Capital S.A.[(2)]	USD	1,000	7.721%	4 June 2038
TIM S.A.	BRL	1,600	IPCA+4.1682%	15 June 2028

(1) Repaid in full at maturity on 19 May 2023.

(2) Guaranteed by TIM S.p.A.

On 12 April 2023, the Issuer issued €400 million aggregate principal amount of 6.875% senior notes due 2028 as additional notes pursuant to the 2028 Euro Notes Trust Deed. "*Summary—Recent Developments—Issuance of Additional 2028 Euro Notes*".

The following tables present the maturity profile of the TIM Group's debt securities and loans from financial institutions as of 31 March 2023, without giving effect to the Transactions, including the offering of the Notes hereby and the application of proceeds thereof:

	Maturing by 31 December					
(€m)	**2023**	**2024**	**2025**	**2026**	**2027**	**Beyond 2027**
Bonds	1,427	3,379	2,000	1,750	1,250	7,503
Loans and other financial liabilities	832	733	1,419	2,249	727	257
Finance lease liabilities	404	1,250	575	537	539	2,139
Total	**2,663**	**5,362**	**3,994**	**4,536**	**2,516**	**9,899**
Current financial liabilities	**1,031**	—	—	—	—	—
Total	**3,694**	**5,362**	**3,994**	**4,536**	**2,516**	**9,899**

Selected Consolidated Cash Flow Data

The table below sets forth the selected consolidated cash flow data for the three months ended 31 March 2023 and 2022, and for the years ended 31 December 2022, 2021 and 2020, respectively:

	For the three months ended 31 March		**For the year ended 31 December**		
Net Cash Flows (€m)	**2023**	**2022**	**2022**	**2021**	**2020**
Cash flows from (used in) operating activities	851	1,075	4,895	4,336	6,551
Cash flows from (used in) investing activities	(1,155)	(756)	(5,335)	(5,117)	(3,077)
Cash flows from (used in) financing activities	(596)	(4,101)	(2,869)	3,164	(2,009)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	—	—	—	—	—
Aggregate cash flows	(900)	(3,782)	(3,309)	2,383	1,465
Net cash and cash equivalents at beginning of the period	3,555	6,904	6,904	4,508	3,202
Net cash and cash equivalents at end of the period	**2,659**	**3,266**	**3,555**	**6,904**	**4,508**

Three months ended 31 March 2023 compared to the three months ended 31 March 2022

The TIM Group recorded net cash and cash equivalents at the end of the period of €2,659 million in for the three months ended 31 March 2023, compared to €3,266 million for the three months ended 31 March 2022.

Cash flows from (used in) operating activities:

Cash flows from operating activities decreased to €851 million for the three months ended 31 March 2023 compared to €1,075 million for the three months ended 31 March 2022. The decrease in net cash provided by operating activities was primarily due to further losses from continuing operations, which amounted to negative €622 million for the three months ended 31 March 2023 compared to negative €142 million for the three months ended 31 March 2022.

Cash flows from (used in) investing activities:

Cash flows used in investing activities was €1,155 million for the three months ended 31 March 2023 compared to €756 million for the three months ended 31 March 2022. This increase was primarily due to the change in financial receivables and other financing assets, which amounted to €405 million for the three months ended 31 March 2022 compared to negative €98 million for the three months ended 31 March 2023.

Cash flows from (used in) financing activities:

Cash flows from (used in) financing activities decreased to €596 million for the three months ended 31 March 2023, compared to negative €4,101 million for the three months ended 31 March 2022, primarily as a result of the decrease in the repayments of non-current financial liabilities (including current portion) which amounted to €3,431 million for the three months ended 31 March 2022 compared to €1,323 million for the three months ended 31 March 2023.

Year Ended 31 December 2022 compared to the Year Ended 31 December 2021

For the year ended 31 December 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 31 December 2021.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities increased to €4,895 million for the year ended 31 December 2022 compared to €4,336 million for the year ended 31 December 2021, primarily due to an improvement in losses from continuing operations, which amounted to negative €2,654 million for the year ended 31 December 2022 compared to negative €8,400 million for the year ended 31 December 2021.

Cash flows from (used in) investing activities:

Cash flows from (used in) investing activities was flat for the year ended 31 December 2022, amounting to negative €5,335 million, compared to negative €5,117 million for the year ended 31 December 2021. For the year ended 31 December 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 31 December 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 31 December 2022, compared to cash flows from financing activities of €3,164 million for the year ended 31 December 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.

Year Ended 31 December 2021 compared to the Year Ended 31 December 2020

For the year ended 31 December 2021, the TIM Group recorded net cash and cash equivalents at the end of the period of €6,904 million, compared to €4,508 million for the year ended 31 December 2020.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities decreased to €4,336 million for the year ended 31 December 2021 compared to €6,551 million for the year ended 31 December 2020, primarily as the result of an increase in losses from continuing operations, which amounted to negative €8,400 million for the year ended 31 December 2021 (compared to €7,352 million for the year ended 31 December 2020), partially offset by impairment reversals on non-current assets (including investments) of €4,118 million and a net gain in deferred tax assets and liabilities of €3,894 million (compared to negative €6,538 million for the year ended 31 December 2020).

Cash flows from (used in) investing activities:

Cash flows used in investing activities decreased for the year ended 31 December 2021, amounting to negative €5,117 million, compared to negative €3,077 million for the year ended 31 December 2020. This decrease was primarily associated with greater purchases of intangible, tangible and rights of use assets and a decrease in change in financial receivables and other financing assets, which amounted to negative €4,013 million and negative €1,183 million, respectively, for the year ended 31 December 2021 (compared to negative €3,477 million and negative €251 million, respectively, for the year ended 31 December 2020).

Cash flows from (used in) financing activities:

Cash flows from financing activities amounted to €3,164 million for the year ended 31 December 2021, compared to cash flows used in financing activities of negative €2,009 million for the year ended 31 December 2020, primarily as a result of increased proceeds from non-current liabilities as well as changes in ownership interests in consolidated subsidiaries.

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 three months ended 31 March 2023 and 2022, and for the years ended 31 December 2022, 2021 and 2020, respectively:

	For the three months ended 31 March		**For the year ended 31 December**		
(€m)L	**2023**	**2022**	**2022**	**2021**	**2020**
Domestic	606	706	3,207	3,377	2,748
Brazil	231	226	870	1,253	661
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	**837**	**932**	**4,077**	**4,630**	**3,409**
% of Revenues	21.8	25.6	25.8	30.2	21.6

Three Months Ended 31 March 2023 compared to the Three Months Ended 31 March 2022

Capital expenditures and expenses for mobile telephone licenses/spectrum for the three months ended 31 March 2023, were €837 million, compared to €932 million for the three months ended 31 March 2022.

Domestic Business Unit

For the three months ended 31 March 2023, our Domestic Business Unit’s capital expenditures and expenses for mobile telephone licenses/spectrum amounted to €606 million, a decrease compared to €706 million for the three months ended 31 March 2022, mainly due to the completion in 2022 by Noovle of the investments related to the partnership with Google.

Brazil Business Unit

For the three months ended 31 March 2023, our Brazil Business Unit’s capital expenditures and expenses for mobile telephone licenses/spectrum amounted to €231 million, an increase compared to €226 million for the three months ended 31 March 2022. Excluding the impact of changes in exchange rates of €12 million, capital expenditures and expenses for mobile telephone licenses/spectrum were stable compared to the three months ended 31 March 2022. Technological investments represent 91% of total capital expenditures and expenses for mobile telephone licenses/spectrum and were mainly driven by the significant coverage of capitals with new 5G SA technology and by the full completion of Oi infrastructure integration. Besides mobile core business expansion, the Brazil Business Unit continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

Year Ended 31 December 2022 compared to the Year Ended 31 December 2021

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended 31 December 2022, were €4,077 million compared to €4,630 million for the year ended 31 December 2021.

Domestic Business Unit

For the year ended 31 December 2022, our 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 31 December 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 31 December 2022 is intended for the development of FTTC/FTTH networks (including €80 million for the acquisition of telecommunications licenses).

Brazil Business Unit

For the year ended 31 December 2022, our 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 31 December 2021. Excluding the impact of changes in exchange rates in an amount of €211 million, for the year ended 31 December 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 31 December 2021 included the acquisition of frequencies for 5G services in an amount of €564 million. Technological investments represent 91% of total capital expenditures and expenses for mobile telephone licenses/spectrum and were mainly driven our 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, we continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

Year Ended 31 December 2021 compared to the Year Ended 31 December 2020

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended 31 December 2021, were €4,630 million compared to €3,409 million for the year ended 31 December 2021.

Domestic Business Unit

For the year ended 31 December 2021, our Domestic Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum were €3,377 million, an increase of €629 million from €2,748 million for the year ended 31 December 2020. This was mainly attributable to the development of our FTTC/FTTH networks and payment of licenses amounting to €240 million to the Italian Ministry of Economic Development for the extension of rights of use relating to the 2100 MHz frequencies.

Brazil Business Unit

For the year ended 31 December 2021, our Brazil Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum increased to €1,253 million, from €661 million for the year ended 31 December 2020). Excluding the impact of changes in exchange rates (negative €49 million for the year ended 31 December 2021), capital expenditures and expenses for mobile telephone licenses/spectrum increased by €641 million, mainly to strengthen our mobile ultrabroadband infrastructure and to fund the development of the fixed broadband business of TIM Live. More specifically, the auction for 5G frequencies in Brazil, which closed in November 2021, saw the Brazil Business Unit commit to a total investment of €564 million for frequencies along with the related commercial commitments to the entities established to pursue the infrastructure projects.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our 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 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 Information Memorandum.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks relating to fluctuations in interest rates and exchange rates in the markets in which we operate 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 the date of this Information Memorandum, 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 as of the date of this Information Memorandum) 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 our 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 we 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 variable rates. The decision to maintain a certain debt structure at fixed and variable 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 our outstanding indebtedness, see "*—Liquidity and Capital Resources*".

Foreign Currency Risk

Our business is exposed to fluctuations in currency exchange rates. We generally hedge our foreign exchange exposure, but usually do not cover the risk of transfer relating to our foreign subsidiaries. Movements in exchange rates of the euro relative to other currencies (in particular BRL) may adversely affect our consolidated results. A rise in the value of the euro relative to other currencies in certain countries in which we operate or have made investments will reduce the relative value of the revenues or assets of our operations in those countries and, therefore, may adversely affect our operating results or financial position. We also conduct, and will continue to conduct, transactions in currencies other than our primary transactional currencies, particularly in U.S. dollars. In addition, we have 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 our operational currency.

For details regarding the TIM Group's outstanding derivative instruments, see Note 18 (Financial Risk Management) and Note 19 (Derivatives) to the 2022 Consolidated Financial Statements and Note 17 (Financial Risk Management) and Note 18 (Derivatives) to the 2021 Consolidated Financial Statements included elsewhere in this Information Memorandum.

Critical Accounting Policies, Judgments and Estimates

For details regarding critical accounting policies, judgments and estimates, see Note 2 to each of the 2022 Consolidated Financial Statements and the 2021 Consolidated Financial Statements included elsewhere in this Information Memorandum.

Related Party Transactions

Other than as disclosed in this Information Memorandum and in the notes to the Audited Consolidated Financial Statements, the TIM Group did not have any material transactions with related parties during the three months ended 31 March 2023 and the years ended 31 December 2022 and 2021 and 2020. See "*Certain Relationships and Related Party Transactions*".

DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

Board of Directors

The following table sets forth, as of the date of this Information Memorandum, certain information regarding the individuals who currently serve on the board of directors of the Issuer.

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

The following table sets forth, as of the date of this Information Memorandum, certain information regarding the individuals who currently serve as key managers of the Issuer.

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
Massimo Mancini	60	Chief Enterprise Market 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

The following table sets forth, as of the date of this Information Memorandum, certain information regarding the individuals who currently serve on the board of statutory auditors of the Issuer.

Name	Position
Francesco Fallacara[1]	Chairman
Angelo Rocco Bonissoni	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.

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS

The following contains a summary of the terms of the TIM Group's key items of indebtedness. 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

Revolving Credit Facility

On 16 January 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 13 May 2021, and as further amended, restated, supplemented or otherwise modified from time to time, the "RCF Agreement").

On 13 May 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 the date of this Information Memorandum, 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

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 14 December 2021, with Commerzbank AG, as lender, in an aggregate principal amount of €150 million and maturing on 23 December 2023 (the "**Commerzbank Loan Agreement**");

- loan agreement, dated as of 25 March 2021, with Intesa Sanpaolo S.p.A., as lender, in an aggregate principal amount of €500 million and maturing on 25 March 2024 (the "**Intesa Sanpaolo Loan Agreement**");

- loan agreement, dated as of 12 October 2021, with Banca Nazionale del Lavoro S.p.A., as lender, in an aggregate principal amount of €100 million and maturing on 28 October 2024 (the "**BNL Loan Agreement**");

- loan agreement, dated 26 February 2019, as amended by amendment dated 21 May 2021, with Bank of America Merrill Lynch Designated Activity Company, as lender, in an aggregate principal amount of €100 million and maturing on 21 May 2025 (the "**Bank of America Merrill Lynch Loan Agreement**" and, together with the Commerzbank Loan Agreement, the Intesa Sanpaolo Loan Agreement and the BNL Loan Agreement, the "**Bilateral Loan Agreements**"); and

- a euro-denominated facility agreement, dated as of 6 July 2022, and backed by a guarantee of SACE S.p.A., in accordance with art. 1, subsection 1 of Decree-Law no. 23 of 8 April 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 31 March 1998 (*Provisions for the rationalization of public support interventions for companies pursuant to art. 4, paragraph 4, letter c, of Law no. 59 dated 15 March 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 30 June 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 30 September 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 the date of this Information Memorandum, 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 the date of this Information Memorandum, TIM had outstanding borrowings under: (i) 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 19 May 2021, in an additional aggregate principal amount of €120 million (the "**2021 Incremental EIB Loan**"); (ii) a loan agreement dated as of 19 May 2021, in an aggregate principal amount of €230 million (the "**2021 EIB Loan**"); and (iii) a loan agreement dated as of 5 May 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 the date of this Information Memorandum, each of the EIB Loans has been fully drawn, except for the 2023 EIB Loan, which is fully undrawn.

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 favourable 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 23 December 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 Information Memorandum, the FiberCop Term Loan has been drawn in full.

The FiberCop Term Loan will mature five years after 23 December 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.

TIM S.A. Loans

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 23 December 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;

- credit agreement, dated as of 2 May 2018, between Banco Nacional de Desenvolvimento Econômico e Social (“**BNDES**”) as lender and TIM S.A. as borrower, an aggregate principal amount of BRL 1,500 million (€ 269 million), comprising three credit lines: (a) Credit Line A, in an aggregate principal amount of BRL 1,090 million (€196 million); (b) Credit Line B, in an aggregate principal amount of BRL 390 million (€70 million); and (c) Credit Line C, in an aggregate principal amount of BRL 20 million (€3.6 million) (the “**BNDES Loan Agreement**”). TIM S.A. has drawdown a total amount of BRL 319 million under the BNDES Credit Line A and Credit Line C and cancelled the outstanding available amount of both credit lines. The Credit Line B, was substituted by an new credit agreement with different conditions with Agência Especial de Financiamento Industrial S.A. (“**FINAME**”) (listed below). The drawdown amounts are guaranteed by certain TIM SA’s receivables;

- credit agreement, dated as of 20 March 2019, between FINAME, a BNDES entity, as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 390 (€70 million) million (the “**FINAME Loan Agreement**”). TIM S.A. has drawdown a total amount of BRL 390 million under the credit line. The drawdown amounts are guaranteed by certain TIM S.A.’s receivables;

- credit agreement, dated as of 31 January 2020, between Banco do Nordeste do Brasil S.A. as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 753 million (€135 million), that is secured by a bank guarantee and certain receivables (the “**BNB Loan Agreement**”). TIM S.A. has drawdown a total amount of BRL 249 million under credit line. The outstanding amount of BRL 503 million is still available for futures drawdowns;

- credit agreement, dated as of 1 April 2021, between BNP Paribas as lender and TIM S.A. as borrower, in an aggregate principal amount of $87.7 million (the “**BNP Loan Agreement**”);

- credit agreement, dated as of 1 April 2021, between The Bank of Nova Scotia as lender and TIM S.A. as borrower, in an aggregate principal amount of $100 million (the “**2021 BNS Loan Agreement**”); and

- credit agreement, dated as of 27 April 2022, between The Bank of Nova Scotia as lender and TIM S.A. as borrower, in an aggregate principal amount of $199.4 million (the “**2022 BNS Loan Agreement**”).

For informational purposes only, certain amounts in this section “*TIM S.A. Loans*”, have been translated from BRL into Euros, and the exchange rate used for this translation is calculated at the average exchange rate for the three months ended 31 March 2023.

TIM Group Bonds

The following table lists the outstanding bonds issued by the TIM Group as of the date of this Information Memorandum:

Currency	**Total**	**Nominal repayment Amount**	**Coupon**	**Issue date**	**Maturity Date**	**Issue Price**
	(millions)	**(millions in euros)(1)**				**(%)**
Bonds issued by TIM						
Euro*................	1,000	1,000	2.500%	19 January 2017	19 July 2023	99.288
Euro*................	750	750	3.625%	20 January 2016	19 January 2024	99.632
Euro*................	1,250	1,250	4.000%	11 January 2019	11 April 2024	99.436
USD.................	1,500	1,379	5.303%	30 May 2014	30 May 2024	100.00
Euro*................	1,000	1,000	2.750%	15 April 2019	15 April 2025	99.320
Euro*................	1,000	1,000	3.000%	30 September 2016	30 September 2025	99.806
Euro*................	750	750	2.875%	28 June 2018	28 January 2026	100.00
Euro*................	1,000	1,000	3.625%	25 May 2016	25 May 2026	100.00
Euro*................	1,250	1,250	2.375%	12 October 2017	12 October 2027	99.185
Euro#................	1,250	1,250	6.875%	27 January 2023; 12 April 2023 (*Tap*)	15 February 2028	

Currency	Total	Nominal repayment Amount	Coupon	Issue date	Maturity Date	Issue Price
	(millions)	**(millions in euros)[(1)]**				**(%)**
Euro*	1,000	1,000	1.625%	18 January 2021	18 January 2029	99.074
Euro*	670	670	5.250%	17 March 2005	17 March 2055	99.667
Subtotal	—	**12,299**				
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM						
Euro	1,015	1,015	7.750%	24 January 2003	24 January 2033	109.646[(2)]
Subtotal	—	**1,015**				
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM						
USD	1,000	919.5	6.375%	29 October 2003	15 November 2033	99.558
USD	1,000	919.5	6.000%	6 October 2004	30 September 2034	99.081
USD	1,000	919.5	7.200%	18 July 2006	18 July 2036	99.440
USD	1,000	919.5	7.721%	4 June 2008	4 June 2038	100.00
Subtotal	—	**3,678**				
Bonds issued by TIM S.A.						
BRL	1,600	290	IPCA+4.168	15 June 2021	15 June 2028	100.00
Subtotal	—	**290**				
Total................	—	**17,282**				

* Notes issued under the EMTN Programme.

Includes €850 million aggregate principal amount of Original 2028 Euro Notes issued on 27 January 2023 and €400 million aggregate principal amount of Additional 2028 Euro Notes issued on 12 April 2023.

(1) The exchange rate used for the translation of BRL into Euros (expressed in terms of units of BRL per €1) is 5.52493; 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 1.08750.

(2) Weighted average issue price for bonds issued with multiple tranches.

The notes issued by TIM, Telecom Italia Finance S.A. and Telecom ltalia Capital S.A. 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 S.A. and Telecom Italia Capital S.A., as further detailed below.

TIM Bonds

Existing Notes

On 30 May 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 30 May 2024. Interest on the 2024 Dollar Notes is payable semi annually in cash on each 30 May and 30 November commencing 30 November 2014. The 2024 Dollar Notes are listed on the Irish Stock Exchange.

On 27 January 2023, TIM issued €850 million aggregate principal amount of its 6.875% notes due 2028 (the "**Original 2028 Euro Notes**"). On 12 April 2023, TIM issued €400 million aggregate principal amount of additional senior notes of the same series as the Original 2028 Euro Notes (the "**Additional 2028 Euro Notes**", together with the Original 2028 Euro Notes, the "**2028 Euro Notes**" and, together with the 2024 Dollar Notes, the "**Existing Notes**"). The 2028 Euro Notes mature on 15 February 2028. Interest on the 2028 Euro Notes is payable semi annually on each 15 February and 15 August commencing 15 August 2023. The 2028 Euro Notes are listed on the Exchange.

The indenture governing the 2024 Dollar Notes and the trust deed governing the 2028 Euro Notes each 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, including the Notes and the EMTNs (as defined below); (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 (e) 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 Information Memorandum.

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 17 February 2005 (the "**2005 Long-Term Prospectus**");
- prospectus dated 30 June 2015, as supplemented by the supplement dated 4 January 2016 and 17 May 2016, (collectively, the "**2015 Prospectus**");
- prospectus dated 8 July 2016, as supplemented by the supplements dated 8 July 2016, 12 September 2016 and 4 January 2017, (collectively, the "**2016 Prospectus**");
- prospectus dated 13 July 2016 as supplemented by the supplement dated 4 October 2017, (collectively, the "**2017 Prospectus**");
- prospectus dated 8 June 2018, as supplemented by the supplements dated 5 October 2018, 10 December 2018, 4 January 2019 and 4 April 2019, (collectively, the "**2018 Prospectus**"); and
- prospectus dated 18 June 2020, as supplemented by the supplements dated 15 September 2020 and 8 January 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, including the Notes and the Existing Notes; (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.

2023 Euro Notes

On 19 January 2017, TIM issued €1,000 million aggregate principal amount of notes under the 2016 Prospectus, at an issue price of 99.288% (the "**2023 Euro Notes**"). The 2023 Euro Notes will mature on 19 July 2023. Interest on the 2023 Euro Notes is payable annually on 19 July, commencing 19 July 2017. The 2023 Euro Notes are listed on the Exchange.

2024 3.625% Euro Notes

On 20 January 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 will mature on 19

January 2024. Interest on the 2024 3.625% Euro Notes is payable annually on 11 April, commencing 11 April 2019. The 2024 3.625% Euro Notes are listed on the Exchange.

2024 4% Euro Notes

On 11 January 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 will mature on 11 April 2024. Interest on the 2024 4% Euro Notes is payable annually on 19 January, commencing 19 January 2017. The 2024 4% Euro Notes are listed on the Exchange.

On 11 July 2023, the Issuer launched a Tender Offer in respect of the 2024 3.625% Euro Notes and the 2024 4% Euro Notes in accordance with the terms of the Tender Offer Memorandum dated the same date.

2025 2.75% Euro Notes

On 15 April 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 15 April 2025. Interest on the 2025 2.75% Euro Notes is payable annually on 15 April, commencing 15 April 2020. The 2025 2.75% Euro Notes are listed on the Exchange.

2025 3% Euro Notes

On 30 September 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 30 September 2025. Interest on the 2025 3 % Euro Notes is payable annually on 30 September, commencing 30 September 2017. The 2025 3% Euro Notes are listed on the Exchange.

2026 2.875% Euro Notes

On 18 June 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 28 January 2026. Interest on the 2026 2.875% Euro Notes is payable annually on 28 January, commencing 28 January 2019. The 2026 2.875% Euro Notes are listed on the Exchange.

2026 3.625% Euro Notes

On 25 May 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 25 May 2026. Interest on the 2026 3.625% Euro Notes is payable annually on 25 May, commencing 25 May 2017. The 2026 3.625% Euro Notes are listed on the Exchange.

2027 Euro Notes

On 12 October 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 12 October 2027. Interest on the 2027 Euro Notes is payable annually on 12 October, commencing 12 October 2018. The 2027 Euro Notes are listed on the Exchange.

2029 Euro Notes

On 18 January 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 18 January 2029. Interest on the 2029 Euro Notes is payable annually on 18 January commencing 18 January 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 17 May 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 17 March 2055. Interest on the 2055 Euro Notes is payable annually on March 17. The 2055 Euro Notes are listed on the Exchange.

TIC Bonds

As of the date of this Information Memorandum, the outstanding notes issued by Telecom Italia Capital S.A. and guaranteed by TIM comprise: (a) $1,000 million aggregate principal amount of 6.375% senior guaranteed notes due 2033 (the "**2033 TIC Bonds**"); (b) $1,000 million aggregate principal amount of 6.000% senior guaranteed notes due 2034 (the "**2034 TIC Bonds**"); (c) $1,000 million aggregate principal amount of 7.200% senior guaranteed notes due 2036 (the "**2036 TIC Bonds**"); and (d) $1,000 million aggregate principal amount of 7.721% senior guaranteed notes due 2038 (the "**2038 TIC Bonds**"). The 2033 TIC Bonds, 2034 TIC Bonds, 2036 TIC Bonds and the 2038 TIC Bonds are collectively referred to herein as the "**TIC Bonds**".

The TIC Bonds are senior unsecured obligations of Telecom Italia Capital S.A. and are guaranteed on a senior basis by TIM.

The indentures governing the TIC Bonds contain certain covenants, agreements and events of default, including limitations on the ability of TIM and Telecom Italia Capital S.A. to (i) create encumbrances; and (ii) engage in mergers or consolidations, in each case subject to certain exceptions. The TIC Bonds are governed by the laws of the State of New York.

TIF Bonds

As of the date of this Information Memorandum, the outstanding notes issued by Telecom Italia Finance S.A. 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 17 February 2005, as supplemented by supplement dated 28 June 2005 (collectively the "**2005 TIF Prospectus**"); and (ii) Euro Medium Term Note Programme established under offering circular dated 14 May 2002 (which had replaced offering circular dated 8 June 2001), as supplemented by supplements dated 23 January 2003 and 31 January 2003 issued by Olivetti S.p.A., Olivetti Finance N.V. and Olivetti International Finance N.V. (collectively, the "**Olivetti Prospectus**"). Telecom Italia Finance S.A. 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 S.A. 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 S.A. 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 S.A. 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. Bonds

On 15 June 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 16 June 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.

Exchange Rate Risk Hedging

As of 31 March 2023, the exchange rate risk of the Existing Notes, EMTNs, TIC 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
GBP [(1)]	375	May-2023	5.875%	Annually	552	5.535%
USD..............	1,500	May-2024	5.303%	Semi-annual	1,099	4.226%
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	7.470%

(1) Repaid in full at maturity on 19 May 2023.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The €750,000,000 7.875 per cent. Notes due 31 July 2028 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Notes) of TIM S.p.A. ("**TIM**" or the "**Issuer**") are constituted by a Trust Deed (the "**Trust Deed**") dated 20 July 2023 (the "**Issue Date**") made between the Issuer and GLAS Trustees Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**" respectively). Terms defined in the Trust Deed have the same meanings in these Conditions. The issuance of the Notes was authorised by a resolution of the Board of Directors' meeting of the Issuer passed on 10 May 2023.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 20 July 2023 (the "**Agency Agreement**") made between the Issuer, the initial Paying Agents (including Citibank, N.A., London Branch as Principal Paying Agent) and the Trustee are available for (i) inspection or collection at all reasonable times during normal business hours by the Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at 55 Ludgate Hill Level 1 West, London EC4M 7JW, United Kingdom and at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder or Couponholder following their prior written request to the Trustee, any Paying Agents or the Issuer therefor and provision of proof of holding and identity (in form satisfactory to the Trustee, the relevant Paying Agent or the Issuer, as the case may be). The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and all the provisions of the Agency Agreement applicable to them.

1. Form, Denomination and Title

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. Each Note will be issued with Coupons attached on issue. Notes of one denomination may not be exchanged for another denomination.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

Notes shall not be physically delivered in Belgium except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. Status

The Notes and the Coupons relating to them are unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. Covenants

3.1 Restrictions on Security Interests

The Issuer shall not create or permit to subsist any Encumbrance (other than a Permitted Encumbrance) over all or any of the present or future revenues or assets of (i) the Issuer or (ii) any Subsidiary, provided that paragraph (ii) shall apply only to Financial Indebtedness of any Subsidiary where such Financial Indebtedness is secured by, or benefits from, any such Encumbrance and is also guaranteed by the Issuer under a Guarantee.

For the avoidance of doubt in respect of asset-backed financing (either by way of a securitisation or otherwise) whereby the relevant assets are originated by the Issuer, the expression assets does not include assets which, pursuant to the requirements of law and accounting principles generally accepted in the Republic of Italy or in the country of incorporation, as the case may be, currently need not be, and are not, reflected in the balance sheet of the Issuer.

In these Conditions:

"**affiliate**" means, in relation to any Person, a subsidiary of that Person or a holding company of that Person or any other subsidiary of that holding company.

"**Control**" of a company or corporation shall be construed as the power (whether by way of ownership of shares, proxy, contract or other binding arrangement) to:

(a) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of that company or corporation; or

(b) appoint and remove all, or the majority, of the directors of that company or corporation; or

(c) give directions with respect to the operating and financial policies of that company or corporation which the directors of that company or corporation are obliged to comply with,

pursuant to subparagraphs 1(1) and 1(2) of article 2359 of the Italian Civil Code.

"**Encumbrance**" means (a) a mortgage, charge, pledge, lien or other encumbrance (excluding any Guarantee) securing any obligation of any Person, and (b) any arrangement providing a creditor with a prior right to an asset, or its proceeds of sale, over other creditors in a liquidation.

"**Financial Indebtedness**" means, in respect of a Person:

(a) all indebtedness of that Person for borrowed money;

(b) all indebtedness under any acceptance credit opened on behalf of that Person, or in relation to any letter of credit issued for the account of that Person for the purpose of raising finance;

(c) the face amount of all bills of exchange for which that Person is liable;

(d) all indebtedness of that Person under any bond, debenture, note or similar instrument issued for the purpose of raising finance;

(e) all indebtedness of that Person under any interest rate or currency swap or forward currency sale or purchase or other form of interest or currency hedging transaction (including, amongst other things, caps, collars and floors);

(f) all payment obligations of that Person under any finance lease; and

(g) all liabilities of that Person (actual or contingent) under any guarantee, bond, security, indemnity or other agreement in respect of any Financial Indebtedness of any other Person.

For the avoidance of doubt, this definition excludes any Financial Indebtedness owed by one member of the TIM Group to another member of the TIM Group.

"**Guarantee**" means any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any Person or to make an investment in or loan to any Person or to purchase assets of any Person where, in each case, such obligation is assumed in order to maintain or assist the ability of such Person to meet its indebtedness.

"**Permitted Encumbrance**" means:

(a) any Encumbrance in existence on the Issue Date;

(b) any Encumbrance over or affecting any asset acquired by the Issuer after the date hereof and subject to which such asset is acquired, if:

(i) such Encumbrance was not created in contemplation of the acquisition of such asset by the Issuer;

(ii) the amount of Financial Indebtedness thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the Issuer;

(c) any netting or set-off arrangement entered into by any member of the TIM Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;

(d) any title transfer or retention of title arrangement entered into by any member of the TIM Group in the normal course of its trading activities on the counterparty's standard or usual terms;

(e) Encumbrances created in substitution for any Encumbrance permitted under subparagraph (b) over the same or substituted assets. This subparagraph only applies if:

(i) the principal amount secured by the substitute Encumbrance does not exceed the principal amount outstanding and secured by the initial Encumbrance; and

(ii) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;

(f) Encumbrances created to secure (i) loans provided, supported or subsidised by a governmental agency, export credit agency, national or multinational investment guarantee agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation or (ii) Project Finance Indebtedness. This subparagraph (f) will, however, only apply if the Encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project), or as the case may be, such Project Finance Indebtedness and remains confined to that asset (and/or shares and/or shareholder loans);

(g) Encumbrances arising out of the refinancing of any Financial Indebtedness secured by any Encumbrance permitted by subparagraphs (b) to (f). This subparagraph will, however, only apply if the amount of that Financial Indebtedness is not increased (other than in connection with additional Financial Indebtedness incurred in an amount equal to the premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection with refinancing of any such Financial Indebtedness) and is not secured by an Encumbrance over any additional assets;

(h) any Encumbrance arising by operation of law;

(i) any Encumbrance created in connection with convertible bonds or notes where the Encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the Issuer to effect the conversion of the bonds or notes into such assets;

(j) any Encumbrance created in the ordinary course of business to secure Financial Indebtedness under hedging transactions (other than hedging transactions for speculative purposes (as determined in good faith by the Issuer));

(k) any Encumbrance over or affecting any asset of the Issuer to secure Financial Indebtedness under a Permitted Leasing Transaction provided that the aggregate Financial Indebtedness secured by all such Encumbrances does not exceed €1,000,000,000;

(l) any Encumbrance created on short-term receivables used in any asset backed financing; and

(m) any other Encumbrance securing Financial Indebtedness of an aggregate amount not exceeding 10% of the consolidated net worth of the Issuer (as disclosed in the most recent audited consolidated balance sheet of the TIM Group).

"**Permitted Leasing Transaction**" means one or more transactions or a series of transactions as a result of which the Issuer disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilisation and/or possessory interest(s)) its rights to possess, use and/or exploit all or a portion of a particular asset or particular assets owned, used and/or operated by the Issuer (or its rights and/or interests in respect thereof) to one or more other Persons in circumstances where the Issuer or an affiliate shall have the right to obtain or retain possession, use and/or otherwise exploit the asset or assets (or rights and/or interests therein) so disposed of or otherwise transferred.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organisation or government or agency or political subdivision thereof.

"**Project Finance Indebtedness**" means any indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset in respect of which the Person or Persons to whom such indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

(a) recourse to such debtor for amounts limited to the cash flow from such asset; and/or

(b) recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the Person against whom such recourse is available; and/or

(c) if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor and shareholder loans made to such debtor.

"**Subsidiary**" means a corporation in respect of which more than 50% of the outstanding voting shares or equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or Controlled by the Issuer or by one or more of its Subsidiaries, or by the Issuer and one or more Subsidiaries.

"**TIM Group**" means the Issuer and its Subsidiaries from time to time.

3.2 Mergers and Similar Events

So long as any Note remains outstanding, the Issuer may consolidate or merge with another company or firm, sell or lease all or substantially all of its assets to another company or buy or lease all or substantially all of the assets of another company, provided that the Issuer shall not take any of these actions unless:

(a) where the Issuer merges out of existence or sells or leases all or substantially all of its assets, the other company assumes all the then existing obligations of the Issuer (including, without limitation, all obligations under the Notes and the Trust Deed), either by law or contractual arrangements;

(b) if the other company is organised under the laws of a country other than the Republic of Italy, it must indemnify the Noteholders and Couponholders against (i) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder or Couponholder as a consequence of such merger, conveyance, transfer or lease and (ii) any costs or expenses of the act of such merger, conveyance, transfer or lease; provided that, if such company is incorporated in the Republic of Italy, such other company shall not be liable under such indemnity to pay any Additional Amounts either on account of "*imposta sostitutiva*" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy; and

(c) the merger, sale or lease of all or substantially all of the assets of the Issuer will not be an Event of Default (as defined in Condition 9 (*Events of Default*)) and no Event of Default or other event which, with the giving of notice or lapse of time or other condition (including, without limitation, certification from the Trustee), would be an Event of Default has occurred and is outstanding.

Notwithstanding the foregoing provisions (b) and (c) of this Condition (which do not apply to the transactions referenced in this sentence),

(1) any Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or another Subsidiary;

(2) the Issuer may merge with or into an affiliate solely for the purpose of reincorporating such entity in another jurisdiction, changing the legal domicile of the Issuer or changing the legal form of the Issuer; and

(3) this covenant shall not apply in respect of the occurrence of a Network Event (excluding, for the purposes of this clause (3) only, the application of the proviso in the definition of "**Network Event**").

.4. Interest

4.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 20 July 2023 at the rate of 7.875 per cent. per annum, payable semi-annually in arrear on 31 January and 31 July in each year (each an "**Interest Payment Date**"). The first payment (for the period from and including the Issue Date to but excluding the first Interest Payment Date, being 31 January 2024, and amounting to €41.55 per €1,000 principal amount of Notes) shall be made on 31 January 2024.

4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than six months, it shall be calculated by applying the rate of 7.875 per cent. per annum to each €1,000 principal amount of Notes (the "**Calculation Amount**") and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

5. Payments

5.1 Payments in Respect of Notes

Payments of principal, premium and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee and maintained with a bank in a city in which banks have access to T2.

For the purposes of these Conditions, "**T2**" means the real time gross settlement system system operated by the Eurosystem, or any successor system.

5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 Payment Only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

"**Presentation Date**" means a day which (subject to Condition 8 (*Prescription*)):

(a) is, or falls after, the relevant payment due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and "**TARGET Day**" means any day on which T2 is open for the settlement of payments in euro.

5.5 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent, in accordance with the terms of the relevant Agency Agreement, and to appoint additional or other Paying Agents *provided that*:

(a) there will at all times be a Principal Paying Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and

(c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

6. Redemption and Purchase

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes on 31 July 2028 (the "**Maturity Date**"), in an amount equal to the principal amount (the "**Final Redemption Amount**").

6.2 Redemption for Taxation Reasons

The Issuer may redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and the Noteholders (which notice will be irrevocable and distributed to Noteholders in the manner as described in this Condition), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (the "**Tax Redemption Date**") and all Additional Amounts (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Noteholders of record on the relevant record date to receive interest due on an Interest Payment Date that is prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available to it, including the appointment of a different Paying Agent (provided that changing the jurisdiction of the Issuer is not a reasonable measure for purposes of this section), as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) affecting taxation, which change or amendment is publicly announced or becomes effective on or after 17 July 2023 (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on such date, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed);

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment regarding the application, administration or interpretation is publicly announced or becomes effective on or after 17 July 2023 (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on such date, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed) (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**"); or

(c) the merger of the Issuer into another Person or the conveyance, transfer or lease of all or substantially all of the Issuer's assets, unless the sole purpose of such a merger would be to permit the Issuer to redeem the Notes.

The Issuer will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay Additional Amounts if a payment in respect of the Notes were then due, and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, sending of any notice of redemption of the Notes pursuant to this Condition, the Issuer will deliver to the Trustee an opinion of counsel stating that there has been such Change in Tax Law which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or sends notice of redemption of the Notes as described above, it will deliver to the Trustee an officer's certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee will accept such officer's certificate and opinion of counsel as sufficient evidence, without further inquiry, of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Noteholders and Couponholders.

6.3 Redemption at the Option of the Issuer (Make-Whole Call)

The Issuer may, having given:

(a) not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 10 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem all (but not some only) of the Notes at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of this Condition 6.3, the "**Optional Redemption Amount**" will be an amount, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate (which for the avoidance of doubt shall not include the Trustee or the Principal Paying Agent), which is the higher of:

(a) 101 per cent. of the principal amount of the Notes to be redeemed; and

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) *plus* the Redemption Margin,

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

As used in this Condition 6.3:

"**Redemption Margin**" shall be 0.50 per cent. per annum;

"**Reference Bond**" shall be the direct obligation of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the Optional Redemption Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer)) most nearly equal to the period from the Optional Redemption Date to the Maturity Date;

"**Reference Dealers**" shall be each of the four banks selected by the Issuer which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues; and

"**Reference Bond Rate**" means with respect to the Reference Dealers and the Optional Redemption Date, the average of the four quotations of the mid-market semi-annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

All Notes in respect of which any such notice is given under this Condition 6.3 shall be redeemed on the date specified in such notice in accordance with this Condition 6.3.

6.4 Redemption at the Option of the Issuer (Issuer Maturity Par Call)

The Issuer may, having given:

(a) not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 10 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

6.5 Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event

If a Put Event occurs, each Noteholder shall have the option (a "**Put Option**") to require the Issuer to redeem (or, at the Issuer's option, to purchase) all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, if applicable; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Noteholder's Notes held by it on the date (the "**Put Date**") which is seven days after the expiration of the Put Period (as defined below) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

A "**Put Event**" will be deemed to occur either:

(a) if there is an Acquisition of Control of the Issuer (except in the event that any person or persons referred to in sub-paragraphs (a), (b) and/or (c) of the definition of "Acquisition of Control" has or acquires such Control or Joint Control) (a "**Change of Control**"); or

(b) upon the direct or indirect sale, lease, transfer, conveyance or other disposition (including, without limitation, by way of de-merger, spin-off, dividend in kind or other separation), in one or a series of related transactions (each a "**Disposition**") of (i) all or a substantial portion (constituting more than one-half in quantitative terms) of the properties or assets comprised in the Network to a Person or Persons which are not a Subsidiary or, as applicable, Subsidiaries of the Issuer or (ii) shares of a Person or Persons to which the Network, or a substantial portion thereof, was previously transferred if such Disposition of shares results in the Issuer ceasing to have Control over any such Person or Persons; provided that, solely in respect of this subparagraph (b), immediately after giving *pro forma* effect to such Disposition (including any substantially concurrent application of the proceeds thereof) the Consolidated Net Leverage Ratio of the Issuer exceeds 3.00 to 1.00 (any such Disposition, a "**Network Event**").

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 (*Notices*) specifying (i) that Noteholders are entitled to exercise the Put Option; (ii) all information material to Noteholders in relation to the Change of Control or Network Event; and (iii) the procedure for exercising the Put Option.

To exercise the Put Option, the holder of the Notes must deliver at the specified office of any Paying Agent on any Business Day at the place of such specified office falling within the period of 60 days following the date of the Put Event Notice (the "**Put Period**"), a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), be any form acceptable to Euroclear and Clearstream, Luxembourg and delivered in a manner that complies with the rules and procedures of Euroclear and Clearstream, Luxembourg) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made accompanied by such Notes and all Coupons appertaining thereto or evidence satisfactory to any Paying Agent concerned that such Notes and all Coupons appertaining thereto will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

The Issuer will not be required to offer the Put Option upon a Change of Control if a third party offers the Put Option in the manner, at the times and otherwise in compliance with the requirements set forth in these Conditions and the Trust Deed applicable to the Put Option made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Put Option. Notwithstanding anything to the contrary contained herein, the offer of a Put Option may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Put Event at the time the Put Option offer is made.

Except as described above with respect to a Change of Control, the Trust Deed will not contain provisions that permit the Noteholders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalisation or similar transaction. Noteholders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the TIM Group in a transaction that would constitute a Change of Control.

The Issuer's ability to repurchase Notes issued by it pursuant to a Put Option may be limited by a number of factors. Future Indebtedness of the TIM Group may also contain, and existing indebtedness of the Issuer contains, prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or offered to be repurchased upon a Change of Control or a Network Event. Moreover, the exercise by the Noteholders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control or Network Event, as the case may be, itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Noteholders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The provisions of the Trust Deed relating to the Issuer's obligation to offer the Put Option as a result of a Change of Control or a Network Event, as the case may be, may be waived or modified with the written consent of Noteholders of a majority in outstanding principal amount of the Notes. *The definition of Network Event includes phrases relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or a substantial portion" of the properties, assets or shares. Although there is a limited body of case law interpreting the phrase "substantial portion," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties, assets or shares to another Person or group may be uncertain.* See "*Risk Factors— Risks Relating to the Notes— Issuer may not be able to obtain the funds required to repurchase or redeem* *the Notes upon a Change of Control or a Network Event and the occurrence of certain important corporate or other events will not constitute a Change of Control or a Network Event*.

In this Condition:

the "**Acquisition of Control**" means, with respect to the Issuer, the acquisition, either by way of public tender offer, private arrangement or otherwise, of Control of the Issuer by any third party other than:

(a) any shareholder of the Issuer holding directly or indirectly as at the Issue Date more than 9% of the voting rights exercisable in the ordinary shareholders meeting of the Issuer; and/or

(b) the direct or indirect majority shareholder of, and/or any company or entity participated in and controlled by, such shareholder as at the Issue Date; and/or

(c) any single shareholder or combination of shareholders referred to in subparagraph (a) and/or (b) above ("**Permitted Acquiring Shareholders**"), also acting jointly with any third parties provided that in such case the Permitted Acquiring Shareholders hold at least Joint Control of the Issuer;

provided that notwithstanding the foregoing a transaction will not be deemed to involve an Acquisition of Control solely as a result of the Issuer becoming a direct or indirect wholly-owned subsidiary of a holding company if (x) the direct or indirect holders of the voting rights exercisable in the ordinary shareholders meeting of such holding company immediately following that transaction are substantially the same as the holders of voting rights exercisable in the ordinary shareholders meeting of the Issuer immediately prior to that transaction or (y) immediately following that transaction no third party (other than a holding company satisfying the foregoing requirements) has Control of such holding company.

"**Consolidated EBITDA**" means, with respect to the Issuer for any period, the Organic EBITDA-AL, calculated on a basis consistent (as to the nature of the adjustments) with the Organic EBITDA-AL for the year ended 31 December 2022 as set forth in "*Summary—Summary Consolidated Financial and Other Information—Certain Pro Forma and As Adjusted Financial Data*" contained in the Information Memorandum, applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the period for which Consolidated EBITDA is being calculated.

"**Consolidated Net Indebtedness**" means, as of any date of determination, the Adjusted Net Financial Debt-AL of the Issuer calculated on a basis consistent (as to the nature of the adjustments) with the Adjusted Net Financial Debt-AL as of 31 December 2022 as set forth in "*Summary—Summary Consolidated Financial and Other Information—Certain Pro Forma and As Adjusted Financial Debt*" contained in the Information Memorandum applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the date for which adjusted net financial debt after lease is being calculated.

"**Consolidated Net Leverage Ratio**" means, as at any date of determination, the ratio of: (1) the pro forma Consolidated Net Indebtedness on such date, to (2) the pro forma Consolidated EBITDA for the period of the Issuer's most recent four consecutive fiscal quarters for which internal consolidated financial statements are available; provided that for the purposes of calculating Consolidated Net Leverage Ratio for such period (and without duplication of any adjustments already made in the calculation of Consolidated EBITDA):

(a) if the Issuer or any of its Subsidiaries has Incurred any Financial Indebtedness since the beginning of such period that remains outstanding, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated, without duplication, after giving effect on a pro forma basis to such Financial Indebtedness as if such Financial Indebtedness had been Incurred on the first day of such period;

(b) if the Issuer or any of its Subsidiaries has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Financial Indebtedness (each, a "Discharge") any Financial Indebtedness since the beginning of such period that is no longer outstanding, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated, without duplication, after giving effect on a pro forma basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any of its Subsidiaries shall have disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Indebtedness for such period shall be reduced by an amount equal to the Consolidated Net Indebtedness directly attributable to any Financial Indebtedness of the Issuer or of any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Subsidiary is sold, the Consolidated Net Indebtedness for such period directly attributable to the Financial Indebtedness of such Subsidiary to the extent the Issuer and the continuing Subsidiaries are no longer liable for such Financial Indebtedness after such Sale); provided that if any such Sale constitutes "discontinued operations" or "non-current assets held for sale" in accordance with then applicable IFRS, Consolidated EBITDA for such period shall only be reduced or increased to the extent such profit or loss increased or decreased, as applicable, the Consolidated EBITDA for such period;

(d) if, since the beginning of such period, the Issuer or any of its Subsidiaries (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an investment in any Subsidiary (or any Person which becomes a Subsidiary) or otherwise has acquired any company, any business or any group of assets constituting an operating unit of a business (any such investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period;

(e) any Person that is a Subsidiary (after giving pro forma effect to the transaction causing a calculation to be made hereunder) on the relevant calculation date will be deemed to have been a Subsidiary at all times during such reference period;

(f) any Person that is not a Subsidiary (after giving pro forma effect to the transaction causing a calculation to be made hereunder) on the relevant calculation date will not be deemed to have been a Subsidiary at any time during such reference period; and

(g) if, since the beginning of such period, any Person (that subsequently became a Subsidiary or was merged or otherwise combined with the Issuer or any Subsidiary since the beginning of such period) shall have made any Sale or any Purchase that would have required an adjustment pursuant to paragraph (c) or (d) above if made by the Issuer or a Subsidiary during such period, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated after giving pro forma effect thereto as if such Sale or Purchase had occurred on the first day of such period.

For purposes of this definition only, Financial Indebtedness does not include payment obligations under finance leases.

"**Control**" has the meaning given to that term in Condition 3.1 (*Restrictions on Security Interests*).

"**Controlling Rights**" means the power to exercise Control in respect of the Issuer.

"**Information Memorandum**" means the Information Memorandum relating to the offering of the Notes dated on or about 17 July 2023.

"**IFRS**" means the International Financial Reporting Standards as endorsed by the European Union, as in effect from time to time.

"**Joint Control**" means a situation where two or more parties:

(a) collectively Control the Issuer; and

(b) no one party individually (or collectively with its affiliates) Controls the Issuer; and

each such party has the power to prevent, including, without limitation, by means of veto powers, the other parties from exercising their Controlling Rights with respect to the Issuer.

"**Network**" means the fixed network infrastructure in Italy owned by TIM Group at the Issue Date and used for transmission of voice and data.

6.6 Redemption at the Option of the Issuer (Equity Offering)

At any time, the Issuer may on any one or more occasions, upon not less than 10 nor more than 60 days' notice, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 107.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering received by the Issuer; provided that:

(a) at least 60 per cent. of the aggregate principal amount of the Notes originally issued under the Trust Deed (excluding the Notes held by the TIM Group) remains outstanding immediately after the occurrence of such redemption; and

(b) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In these Conditions:

"**Board of Directors**" means:

(a) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorised committee thereof;

(b) with respect to a partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorised committee thereof;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorised committee of such Person serving a similar function.

"**Capital Stock**" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Equity Offering**" means a sale of Capital Stock (other than to the Issuer or any of its Subsidiaries) that is a sale of Capital Stock of the Issuer other than, for the avoidance of doubt, any Capital Stock (including rights, warrants and options) which is issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees or directors (including directors holding or formerly holding executive office or the personal service company of any such person), in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

"**Voting Stock**" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

6.7 Provisions Relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 60 days before the date fixed for redemption. Notice of any such selection will be given not less than 10 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

6.8 Purchases

The Issuer and any of its Subsidiaries (as defined above) may at any time purchase Notes (*provided that* all unmatured Coupons appertaining to the Notes are purchased with the Notes) in the open market or otherwise at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

6.9 Cancellations

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation by surrendering each such Note, together with all relative unmatured Coupons attached to the Notes, to the Principal Paying Agent and if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. Any Notes not so surrendered for cancellation may be reissued or resold.

6.10 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call*)), Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call*)), Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*) and Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*) above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7. Taxation

7.1 Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes and the Coupons will be made without withholding or deduction for or on account of any present or future Taxes unless such withholding or deduction of such Taxes is required by law (including any taxing authority's interpretation or administration thereof). If any deduction or withholding for or on account of any Taxes imposed or levied by or on behalf of any Tax Jurisdiction will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or Coupons, including payments of principal, redemption premium or interest, the Issuer will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding or deduction; except that no Additional Amounts shall be payable:

(a) to or for a Noteholder or Couponholder (or a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Noteholder or Couponholder, if the relevant Noteholder or Couponholder is an estate, nominee, trust, partnership, limited liability company or corporation or any collective vehicle where tax is imposed or allocated to its owners) who is liable for such Taxes in respect of such Note or Coupon by reason of having or having had some present or former connection with the relevant Tax Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Tax Jurisdiction) in which such Taxes are imposed other than the mere acquisition, holding or enforcement (following an Event of Default) of such Note or Coupon or the receipt of any payment in respect thereof; or

(b) to or for a Noteholder or Couponholder in respect of any Tax (other than any Taxes pursuant to Decree No. 239 or Italian Legislative Decree No. 461 of 21 November 1997, as amended or supplemented from time to time ("**Decree No. 461**")) that is imposed or withheld by reason of the failure by the Noteholder or Couponholder, to comply with a reasonable written request of the applicable withholding agent addressed to the Noteholder or Couponholder, after reasonable notice (at least 30 days before any such withholding or deduction is payable): (1) to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Noteholder or Couponholder or (2) to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which, in the case of (1) or (2) (or both), is required by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, all or part of such Tax but only to the extent the Noteholder or Couponholder is legally entitled to provide such certification or documentation; or

(c) in respect of any Note or Coupon presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a Noteholder or Couponholder would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day; or

(d) in respect of any Note or Coupon presented for payment (where presentation is required) by or on behalf of a Noteholder or Couponholder not resident for tax purposes in a White List State; or

(e) in respect of any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or Coupon; or

(f) in respect of any estate, inheritance, gift, sales, transfer, personal property or similar Tax or excise Taxes imposed on transfer of the Notes or Coupon; or

(g) in respect of any Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* pursuant to Decree No. 239 and any related implementing regulations, and pursuant to Decree No. 461 and any related implementing regulations, except where the procedures required under Decree 239/1996, in order to benefit from an exemption, have not been complied with due only to the actions or omissions of the Issuer or its agents.

For the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Noteholder or Couponholder becomes subject to *imposta sostitutiva* after the Issue Date by reason of amendments to the list of countries which allow for a satisfactory exchange of information with Italy, currently provided for by Italian Ministerial Decree dated 4 September 1996, as subsequently amended, or by reason of the approval of the ministerial Decree to be issued under art. 11 par.4 let c) of Decree No. 239, as subsequently amended or superseded, providing for a new list of countries which allow for a satisfactory exchange of information with Italy, whereby such Noteholders or Couponholder country of residence does not appear on the aforesaid amended or new list (the "**White List**"); or

(h) to a Noteholder that is a fiduciary, partnership or person other than the sole beneficial owner to the extent that a payment would be required to be included in the income under the tax laws of a relevant Tax Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a partner of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Noteholder thereof; or

(i) in respect of any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), as of the date of the Information Memorandum (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(j) any combination of the items (a) through (i) above.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or any official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding.

In addition to the foregoing, the Issuer will also bear and pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes, which are levied on the execution, delivery, issuance, registration or enforcement (following an Event of Default) of the Notes or Coupons, the Trust Deed or any other document or instrument referred to therein (other than in each case, (A) in connection with a transfer of the Notes or Coupons after this issuance of the Notes or Coupons other than the initial resale or (B) to the extent that such stamp, issue, registration court or documentary Taxes, or any other excise, property or similar Taxes become payable upon a voluntary registration made by the Noteholder if such registration is not required by any applicable law or not necessary to enforce the rights or obligations of any Noteholder or Couponholder in relation to the Notes, the Coupons, the Trust Deed or any other document or instrument referred to therein).

If the Issuer becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or Coupons, the Issuer will deliver to the Trustee (with a copy to the Principal Paying Agent) on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer shall notify the Trustee promptly thereafter) an officer's certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Trustee shall be entitled to rely solely on such officer's certificate as conclusive proof that such payments are necessary.

The above obligations will survive any termination, defeasance or discharge of the Trust Deed and will apply, *mutatis mutandis*, to any successor person to the Issuer.

Any references in these Conditions of the Notes or in the Trust Deed to any amounts in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable in respect thereof. As used herein:

(i) "**Tax**" or "**Taxes**" means any present or future taxes or duties, assessments or governmental charges of whatever nature (including any penalties, interest and other additions thereto);

(ii) "**Tax Jurisdiction**" means the Republic of Italy and any other taxing jurisdiction in which the Issuer (or any successor person) is organised or tax resident, or any political subdivision or any authority thereof or therein having power to tax, and any jurisdiction from or through which payment with respect to the Notes is made by or on behalf of the Issuer; and

(iii) "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due, but if the full amount of the monies payable has not been received by the Trustee or, as the case may be, the Principal Paying Agent, on or prior to such due date, it means the first date on which, the full amount of such monies having been so received, notice to that effect has been duly given to the Noteholders or Couponholders.

8. Prescription

Notes and Coupons will become void unless presented for payment within periods of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one- quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) (but only if, except in relation to paragraph 9(a) below, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that the Notes are, and the Notes shall thereupon immediately become, due and repayable at their redemption amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall have occurred and be continuing:

(a) *Non-payment*: default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of 10 days in the case of principal and premium and 30 days in the case of interest; or

(b) *Breach of other obligations*: the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and the failure continues for the period of 60 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) *Cross-default of Issuer*:

(i) any Capital Markets Indebtedness of the Issuer in excess of €100,000,000 (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms; or

(ii) the Issuer fails to fulfil any payment obligation exceeding €100,000,000 (or the equivalent thereof in other currencies) under any Capital Markets Indebtedness, or under any guarantee provided for any such Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) of others, and such failure continues for a period of 30 days; or

(iii) any security or guarantee relating to Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) provided by the Issuer is enforced by the lenders and such enforcement is not contested in good faith by the Issuer or the Issuer publicly announces its inability to meet its financial obligations; or

(d) *Insolvency*:

(i) a court opens insolvency or equivalent proceedings against the Issuer which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders or the Issuer applies for such insolvency or equivalent proceedings; or

(ii) the Issuer approves a resolution pursuant to which it goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer, in connection with the Notes and the Trust Deed.

As used herein, "**Capital Markets Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities, in each case which is listed or traded on a stock exchange or other recognised securities market.

10. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25% in aggregate principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed fails or is unable so to do within 60 days, and the failure or inability shall be continuing.

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) and, so long as the Notes are listed on the Luxembourg Stock Exchange and the listing rules of such exchange so require, all notices to Noteholders shall be deemed to be duly given if they are published in one daily newspaper in Luxembourg or on the website of the Luxembourg Stock Exchange: *www.luxse.com*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given if published in a leading English language daily newspaper published in London, on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

13. Substitution

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 13) as the principal debtor under the Notes, Coupons and the Trust Deed of another company, being any entity that may succeed to, or to which the Issuer (or any previous substitute under this Condition 13) may transfer, all or substantially all of the assets and business of the Issuer (or any previous substitute under this Condition 13) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

14. Meetings of Noteholders, Modification, Waiver, Authorisation and Determination

14.1 Meetings of Noteholders

The Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders (which may be at a physical location or by way of conference call or videoconference) to consider any matter affecting their interests, including any modifications or abrogation of the Conditions or of any provisions of the Trust Deed by Extraordinary Resolution. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

The quorum and the majorities for passing resolutions at any such meetings are established by Article 2415 of the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 and the Issuer's by-laws.

An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders. In accordance with the Italian Civil Code, a *rappresentante comune* (the "**Noteholders' Representative**"), being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Noteholders' interest hereunder and to give execution to the resolutions of the meeting of the Noteholders. The appointment of the Noteholders' Representative has a term of three financial years from the Issue Date of the Notes, which may be renewed by mutual agreement between the Noteholders at the time of renewal and Noteholders' Representative.

14.2 Waiver, Authorisation, Determination and Exercise by the Trustee of Discretions Etc.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct an error which is manifest or, in the opinion of the Trustee, proven.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) or Condition 3.2 (*Mergers and Similar Events*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) or Condition 3.2 (*Mergers and Similar Events*) pursuant to the Trust Deed.

14.3 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

15. Indemnification of the Trustee and Trustee Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes which are to form a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed.

17. Governing Law and Submission to Jurisdiction

17.1 Governing Law

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and construed in accordance with, English law save for the mandatory provisions of Italian law relating to the meetings of Noteholders and the Noteholders' Representative.

17.2 Submission to Jurisdiction

(a) English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons), including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a "**Dispute**") and each of the Issuer, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition, each of the Issuer, the Trustee and any Noteholders or Couponholders waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

17.3 Appointment of Process Agent

The Issuer irrevocably appoints TI Sparkle UK Limited at 6 New Street Square, London, EC4A 3DJ as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TI Sparkle UK Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17.4 Other Documents

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

18. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*) other than with respect to the payment of principal, premium and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

2. Payments

On and after 29 August 2023, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, premium and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12 (*Notices*), *provided that*, so long as the Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the rate of 7.875 per cent. per annum to the principal amount of the Global Note and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards.

5. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

(a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";

(b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or

(c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two authorised signatories of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

6. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

7. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

8. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.5 (*Redemption at the Option of the Noteholders on the Occurrence of a Change of Control and Network Event*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

9. Redemption at the Option of the Issuer

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under Condition 6.7 (*Provisions Relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

10. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

TAXATION

The following overview contains a description of certain Italian, EU and Luxembourg tax consequences in respect of the purchase, ownership and disposal of the Notes. This overview is based on the laws in force in Italy, the EU and Luxembourg as at the date of this Information Memorandum (as they are currently applied by the relevant tax authorities) and is subject to any changes in such laws occurring after such date, which changes could be made also on a retroactive basis.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Italian taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws and published practices presently in force in Italy, though it is not intended to be, nor should it be constructed to be, legal or tax advice. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

The statements herein regarding Italian taxation are based on the laws and published practices in force in Italy as of the date of this Information Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Tax treatment of Notes

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239/96**"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia,* by companies listed on an Italian regulated market.

For these purposes, pursuant to Article 44 of the Presidential Decree No. 917 of 22 December 1986 (the "**Italian Tax Code**" or the "**ITC**"), as amended and supplemented from time to time, securities similar to bonds are defined as securities that: (i) incorporate an unconditional obligation to pay, at maturity or redemption, an amount not less than their nominal value and (ii) do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which the securities are issued nor any type of control on the management.

Italian Resident Holder of Notes

Where an Italian resident Noteholder is *inter alia* (i) an individual not engaged in entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see under "—*Tax Treatment of Capital Gains on the Notes—Capital gains realized by Italian Resident Holders of the Notes*" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution or (iv) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva,* levied at the rate of 26%.

If the Noteholders described under *inter alia* (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and it may be credited against the overall income tax due by the tax payer in respect of the income derived from its business activity which will include Interest.

Subject to certain conditions (including a minimum holding period requirement) and limitations, Interest relating to the Notes may be exempt from any income taxation (including from the 26% *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian Law.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary (as defined below), Interest from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation ("**IRES**") and, in certain circumstances, depending on the status of Noteholder, also to regional tax on productive activities ("**IRAP**").

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree No. 351**"), Article 32 of Law Decree No. 78 of 31 May 2010, converted into law with amendments by Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of Interest in respect of the Notes made to Italian resident real estate investment funds created under Article 37 of Legislative Decree No. 58, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate investment companies with fixed capital - SICAFs (together, the "**Real Estate Investment Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Investment Fund, provided that the Notes are timely deposited with a qualified intermediary (as defined below) but a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in case of distributions, redemption or sale of the units. Moreover, subject to certain conditions and depending on the status and percentage of participation held, income realized by Real Estate Investment Funds is attributed to the relevant investors and subject to tax in their hands irrespective of its actual collection and in proportion to the percentage of ownership of units/shares on a tax transparency basis.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund, a *Società di Investimento a Capitale Fisso* ("**SICAF**") (other than a Real Estate Investment Fund) or a *Società di Investimento a Capitale Variabile* ("**SICAV**") established in Italy (together, the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary (as defined below), Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva* nor to any other income at the level of the Fund, but must be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders or in case of redemption or sale of the units or shares in the Fund.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorized intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, which will be subject to a 20% substitute tax. Subject to certain conditions (including a minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Pursuant to Decree 239/96, the *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**), stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("**Intermediaries**" and each an "**Intermediary**") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes *Euroclear* and *Clearstream, Luxembourg*) having appointed an Italian representative for the purposes of Decree 239/96.

For the purposes of applying *imposta sostitutiva*, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of the Notes, including in their capacity as transferees. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Noteholder or, absent that, directly by the Issuer paying that Interest.

Non-Italian Resident Holders of Notes

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either: (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time, or in any other decree to be issued in the future under the authority of Article 11(4)(c) of Decree 239/96 (the "**White List**"); or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment.

To ensure payment of Interest in respect of the Notes without the application of 26% *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with:

(i) an Italian or non-Italian resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or the permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree 239/96. If a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank; and

(b) file in due time with the First Level Bank or Second Level Bank (as the case may be) a declaration (*autocertificazione*) stating, *inter alia,* that he or she is a resident, for tax purposes (or established, for institutional investors not subject to tax), in a White List State. Such declaration (*autocertificazione*) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of 12 December 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

The *Imposta Sostitutiva* will be applicable at the rate of 26% to Interest paid to non-Italian Resident Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions and procedural requirements provided for the exemption to apply (including the procedures set forth under Decree 239/1996 and in the relevant implementing rules).

Noteholders who are subject to the Imposta Sostitutiva may, nevertheless, be eligible for full or partial relief under an applicable double tax treaty entered into by Italy and the State of tax residence of the relevant noteholder, if more favourable, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Tax Treatment of Capital Gains on the Notes

Capital gains realized by Italian Resident Holders of the Notes

Any capital gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the status of the Noteholder, also as part of the net value of the production for IRAP purposes) if realized by an Italian company or a similar commercial entity, including the permanent establishment in Italy of foreign entities to which the Notes are effectively connected, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is *inter alia* (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership or (iii) a non-commercial private or public institution, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November 1997 ("**Decree 461/97**"), levied at the rate of 26% (the "**CGT**").

In respect of the application of the CGT, taxpayers may opt for one of the three regimes described below.

(a) "*Regime della dichiarazione*". Under the tax return regime, which is the default regime for Italian resident Noteholders under (i) through (iii) above, the CGT will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss offsetable, realized by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss offsetable, in the annual tax return and pay the CGT on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

(b) "*Regime del risparmio amministrato*". As an alternative to the tax return regime, Italian resident Noteholders under (i) through (iii) above may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to report the capital gains in the annual tax return.

(c) "*Regime del risparmio gestito*". Any capital gains realized by Italian Noteholders under (i) through (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any decrease in value of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to report the capital gains realized in the annual tax return.

Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains realized upon sale or redemption of the Notes may be exempt from any income taxation (including from the 26% *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Any capital gains realized by a Noteholder that is a Real Estate Investment Fund will be subject neither to CGT nor to any other income tax at the level of the Real Estate Investment Fund. However, a withholding tax or a substitute tax at the rate of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in case of distributions, redemption or sale of the units or shares. Subject to certain conditions and depending on the status and percentage of participation held, income realized by a Real Estate Investment Fund is attributed to the relevant investors and subject to tax in their hands, irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Any capital gains realized by an Italian Noteholder that is a Fund will not be subject to CGT, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed at the level of the Fund, but income realized by unitholders or shareholders in case of distributions, redemption or sale of the units or shares, may be subject to a withholding tax of 26%.

Any capital gains realized by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20% substitute tax. Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term individual savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Capital gains realized by Non-Italian Resident Holders of the Notes

The CGT may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter f), of ITC, any capital gains realized by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad (according to the meaning identified by the Italian tax authorities in Circular Letter No. 32/E of 23 December 2020), and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified Intermediaries (or permanent establishments in Italy of foreign Intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

If the Notes are not traded on a regulated market in Italy or abroad (according to the meaning identified by the Italian tax authorities in Circular Letter No. 32/E if 23 December 2020) and are held in Italy, pursuant to the provisions of Decree 461/1997, non-Italian resident holders of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from CGT in the Republic of Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are (i) resident, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information, included in the White List, or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy, or (iii) an institutional investor, whether or not subject to tax, which is organized or established in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment, or (iv) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial Intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial Intermediary an appropriate self-declaration stating that they meet the requirement indicated above.

If the above-mentioned conditions are not met, capital gains realized by non-Italian Resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal or redemption of Notes issued by an Italian-resident Issuer and not traded on a regulated market, may be subject to the CGT at the current rate of 26%. However, noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial Intermediary and are subject to the *risparmio amministrato* regime or elect for *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial Intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary), but non-resident holders of the Notes retain the right to waive this regime**.**

Inheritance and gift taxes

The transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers), are subject to Italian inheritance and gift tax as follows:

(i) transfers in favour of the spouse and of direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favour of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favour of all other relatives up to the fourth degree or relatives-in-law up to the third degree, are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognized pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Notes) received in excess of €1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

With respect to Notes listed on regulated markets and multilateral trading facilities, the value for inheritance and gift tax purposes is the average trading price of the last quarter preceding the date of the succession or the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual saving account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Registration tax

Contracts relating to the transfer of securities, such as Notes, are subject to Italian registration tax as follows: (i) public deeds and deeds executed in Italy with notarized signatures are subject to a fixed registration tax of €200; (ii) private deeds are subject to a fixed registration tax of €200, which applies only in case of use, reference (*enunciazione*) in a subsequent registered deed or voluntary registration.

Stamp Duty

Pursuant to Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972, as subsequently amended, a proportional stamp duty applies on a yearly basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.2% on the market value or – in the lack of a market value – on the nominal value or the redemption amount of the securities held. The stamp duty cannot exceed €14,000 for taxpayers different from individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy of 29 July 2009, as subsequently amended and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian based financial intermediary (and not directly held by the Noteholders outside Italy), in which case wealth tax (see "*—Wealth Tax on Financial Products Held Abroad*") applies to Italian resident Noteholders only.

Wealth Tax on Financial Products Held Abroad (the so-called IVAFE)

In accordance with Article 19 of Decree No. 201 of 6 December 2011, converted with Law No. 214 of 22 December 2011, as subsequently amended, Italian resident individuals, non-commercial entities and certain partnership (*società semplici* or similar partnership in accordance with a Article 5 of the ITC) holding financial products – including the Notes – outside of the Italian territory are required to declare in their own annual tax return and pay a wealth tax ("*Imposta sul valore delle attività finanziarie detenute all'estero*" – "IVAFE"). The applicable tax rate is 0.2% of the value of such assets (the tax is determined in proportion to the period of ownership). The wealth tax cannot exceed €14,000 per year for taxpayers different from individuals.

The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial products held outside of the Italian territory. Taxpayers can generally deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of IVAFE if they are administered by Italian financial intermediaries pursuant to an administration agreement and the items of income derived from such instruments have been subject to tax by the same intermediaries. In this case, the below mentioned stamp duty provided for by Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972 does apply.

Italian Financial Transactions Tax

Pursuant to Law No. 228 of 24 December 2012, Italian Financial Transaction Tax ("**FTT**") applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the "**Relevant Securities**"), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities could be included in the scope of application of the FTT if they meet the requirements set out above. On the other hand, securities falling within the category of bonds (*obbligazioni*), such as the Notes, are not included in the scope of the FTT.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the possible application of financial transaction tax in countries other than Italy.

Italian Tax Reporting Obligations

Pursuant to Legislative Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, Italian-resident individuals which are non-business entities and non-business partnerships (*società semplici* or similar partnerships in accordance with Article 5 of the ITC) resident in Italy for tax purposes are required, under certain conditions, to report for tax monitoring purposes in their yearly income tax return the amount of investments, including the Notes, directly or indirectly held abroad (or beneficially owned abroad under Italian anti-money laundering provisions) (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000 threshold throughout the year, which per se do not require such disclosure). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian-resident individuals and entities.

However, the above reporting obligation is not required in case where (i) the financial assets (including Notes) are deposited for management with Italian banks, SIMs, fiduciary companies or other qualified Italian financial Intermediaries and with respect to contracts entered into through their intervention, provided that the same Intermediaries apply a withholding tax or Imposta Sostitutiva on any income derived from the securities or (ii) one of such Intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax by the same Intermediaries.

Additional Notes

The Issuer may issue additional Notes. Any Additional Notes will be considered fungible for Italian income tax purposes with the initial Notes only if the conditions set forth in Article 11(2) of Decree 239/1996 are met, which requires in particular that (i) the issuance of Additional Notes occurs within twelve months of the original issue of the initial Notes, and (ii) the spread between (a) the issue price of the initial Notes and (b) the issue price of the Additional Notes is not higher than 1% of the principal amount of the issuance multiplied by the number of full years until the maturity date. If these requirements are not met, the Additional Notes will not be considered fungible for Italian income tax purposes with the initial Notes.

OECD Common Reporting Standards

The EU Savings Directive adopted on 3 June 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from 1 January 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended, initially, by Council Directive 2014/107/EU and, lastly, by Council Directive 2018/822/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in January 2017.

Italy has enacted Italian Law No. 95/2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated 28 December 2015, which has entered into force on 1 January 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of 28 December 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the "**Relibi Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

The proposed European financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed EU FTT has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the current proposals, the EU FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the EU FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the EU FTT.

Tax information

Each Noteholder shall provide in a timely manner any information, form, disclosure, certification or documentation ("**Tax Information"**) that the Issuer may reasonably request in writing in order to maintain appropriate records, report such information as may be required to be reported to any tax or competent authority (the "**Tax Reporting Regimes**") and provide for withholding amounts, if any, in each case relating to each Noteholder's Notes in or payments from the Issuer including, without limitation, any information requested in order to comply with:

(a) the European Union Council Directive 2011/16/EU (the "**DAC**"), as amended;

(b) any law, rule or regulation pursuant to or implementing any of the FATCA, the DAC, or any other regime requiring the exchange of tax information or otherwise the Issuer deems reasonably necessary for the conduct of the Issuer's affairs.

CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain considerations in relation to bankruptcy, insolvency and certain other applicable regulations in the EU and Italy. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

It should be noted that bankruptcy, insolvency or similar proceedings, schemes and/or events could be conducted or could occur in any of these jurisdictions, as well as in other jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes. In particular, under the EU regulations and regulations of Member States, the insolvency (bankruptcy) proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other Member States where the bankrupt entity conducts its business activity. Irrespective of the attempts to harmonize the bankruptcy regulations in Member States, the regulations in various states differ and the insolvency (bankruptcy) proceedings conducted in more than one state may create additional legal risks and costs for you.

In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions bankruptcy, insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer is incorporated and organized under the laws of Italy.

Regime Applicable to Insolvency Proceedings Opened after 26 June 2017

On 5 June 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015, on insolvency proceedings (recast), as amended (the "**Recast EU Insolvency Regulation**") was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation applies within the EU, other than Denmark, to insolvency proceedings opened on or after 26 June 2017 (subject to certain exceptions) and with respect to a company whose COMI (as defined herein) is located in a Member State.

Main insolvency proceedings

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court with jurisdiction to open insolvency proceedings in relation to a debtor that has its "center of main interests" ("**COMI**") (as that term is used in Article 3(1) of the Recast EU Insolvency Regulation) in a Member State is the court of the Member State (other than Denmark) within which the center of the debtor's main interests is situated. However, pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3. Such court's decision may be challenged by the debtor or any creditor on grounds of international jurisdiction. The COMI is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties".

COMI is not a static concept and may change from time to time, but is determined for the purposes of deciding which court has competent jurisdiction to open main insolvency proceedings at the time of the request to open insolvency proceedings: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differed and even conflicting views. Article 3(1), paragraph 2, provides, in most cases, for a rebuttable presumption that a company's COMI is in the jurisdiction where its registered office is located. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply, and the court which shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

Specifically, Recital 30 of the Recast EU Insolvency Regulation contains a number of examples of where a presumption as to the COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the center of the company's operations.

If the COMI of a company is, at the time of the request to open insolvency proceedings located in the same Member State as its registered office, the main insolvency proceedings with respect to the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. As noted in Preamble 10, Annex A to the Recast EU Insolvency Regulation has been extended to include insolvency proceedings that promote the rescue of economically viable but financially distressed businesses (such as, with respect to insolvency proceedings in Italy, restructuring agreements with creditors (*accordi di ristrutturazione*), crisis resolution process of the consumer over indebtedness (*procedure di composizione della crisi da sovraindebitamento del consumatore*) and winding-up (*liquidazione dei beni*)).

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State in which insolvency proceedings have been opened in accordance with Article 3 have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary insolvency proceedings

Insolvency proceedings opened in one Member State under the Recast EU Insolvency Regulation must be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the COMI of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. "**Establishment**" is defined in Article 2(10) of the Recast EU Insolvency Regulation as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for opening of main insolvency proceedings.

The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, (i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor).

The courts of all Member States (other than Denmark) must recognize the judgment opening insolvency proceedings of the court commencing proceedings (subject to any public policy exception). The judgment of the court commencing main proceedings will produce the same effects in the other Member States (other than Denmark) as under the law of the Member State (other than Denmark) commencing main proceedings, so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced in that other Member State and subject to certain other exceptions (*e.g.*, rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in the Member State, which has jurisdiction to commence main proceedings, may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (*e.g.*, the powers are available *provided that* no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency receiver in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency receiver must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Insolvency proceedings involving members of a group of companies

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism with the concept of "group coordination proceedings" in the event that insolvency proceedings concerning two or more members of a group of companies are opened in Member States (other than Denmark). Under Article 61 of the Recast EU Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency receiver appointed in insolvency proceedings opened in relation to a member of the group. Insolvency receivers appointed in proceedings concerning a member of the group will cooperate with any insolvency receiver appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group, to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest.

Further, an insolvency receiver appointed in insolvency proceedings concerning a member of a group of companies will cooperate and communicate with any court with jurisdiction over the insolvency proceedings of another group member. The Recast EU Insolvency Regulation also contains provisions for the proposal and implementation of a group coordination plan and group coordination proceedings, which are designed and implemented by a group coordinator. Participation in the group coordination plan is not compulsory for group members, and there are safeguards to preserve the sovereignty of the applicable law and courts of each group members' insolvency proceedings.

Applicability

In the event that the Issuer or any its subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Insolvency laws and regulations have been replaced by a new crisis and insolvency code. In particular, the Italian government approved on 12 January 2019 Legislative Decree No. 14 of 12 January 2019 implementing the guidelines contained in Law No. 155 dated 19 October 2017 contending the scheme of a comprehensive legal framework in order to regulate, among others, insolvency matters (the "**Legislative Decree**"), which enacts a comprehensive legal framework in order to regulate, among others, insolvency matters which came into force on 15 July 2022 (so-called "**Code of Business Crisis and Insolvency**" (*Codice della Crisi d'Impresa e dell'Insolvenza*), hereinafter, as subsequently amended and supplemented and including Italian Legislative Decree No. 83 of 17 June 2022 implementing the EU Directive 2019/1023, the "**Insolvency Code**"). Legislative Decree was published in the *Gazzetta Ufficiale* on 14 February 2019 no. 38— *Suppl. Ordinario* no. 6.

The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*) provided for by the same Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favour going concern proceedings; (vi) a new crisis settlement procedure (*composizione negoziata della crisi*); (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) the adoption of definition of debtor's "center of main interest" as provided in the new set of rules concerning group restructurings, (ix) the introduction of the new restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) among the restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*); (x) the regulation of adequate measures and plans to early detect a crisis with specific criteria to be adopted by companies and (xi) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

The Insolvency Code has been amended and supplemented by, among others, (i) the Italian Legislative Decree No. 147 of 26 October 2020, (ii) the Italian Draft Legislative Decree on "*Amendments to the Business Crisis and Insolvency Code, implementing Directive (EU) 2019/1023*" approved on 17 March 2022 by the Italian Council of Ministers (*Consiglio dei Ministri*) and (iii) the Italian Legislative Decree No. 83 of 17 June 2022.

Except for minor changes in some provisions of the Italian Civil Code, which already entered into force on 16 March 2019, in response to the COVID-19 pandemic, the entry into force of the Insolvency Code has been initially postponed to 1 September 2021 by the "*Decreto liquidità*" (*i.e.*, Law Decree 8 April 2020, no. 23, published in the *Gazzetta Ufficiale* on 8 April 2020 and converted in law by the Italian Parliament by the Law 5 June 2020, no. 40, published in the *Gazzetta Ufficiale* on 6 June 2020 the "**Liquidity Decree**"), then, pursuant to the Law Decree No. 118 dated 24 August 2021, published in the Gazzetta Ufficiale No. 2021 of 24 August 2021, as converted into law pursuant to L. n. 147 of 21 October 2021, published in the Gazzetta Ufficiale N. 253 of 23 October 2021 (*the* "**Decree 118/2021**") to 16 May 2022 and is now effective starting from 15 July 2022.

Furthermore, please note that the Decree 118/2021, *inter alia*, has introduced: (a) a new negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*); and (b) the simplified composition with creditors proceeding (*concordato semplificato per la liquidazione del patrimonio*) for the liquidation of the assets.

Please also note that, the Council of Minister has approved the Legislative Decree scheme on further amendments to the Insolvency Code aimed at implementing the UE Directive 2019/1023 of the European Parliament and of the Council of 20 June 2019, on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (*Directive on restructuring and insolvency*), taking into account the opinions expressed by the *Consiglio di Stato* and the relevant parliamentary committees.

Provisions under the Bankruptcy Law continue to apply only to any filings for proposals of declaration of insolvency procedures and bankruptcy restructuring plans (*concordato fallimentare*) and any filings seeking for the approval of debt restructuring agreements (*accordo di ristrutturazione dei debiti*) or for the opening of a composition with creditors proceeding (*concordato preventivo)* filed or pending before 15 July 2022 (*i.e.* the effective date of the Insolvency Code).

Considering the above, the following is a brief description of certain main aspects of insolvency law in Italy and in particular: (i) of the Bankruptcy Law and the other ancillary applicable regulations in place until 15 July 2022 and (ii) of the Insolvency Code applicable and into force.

Italian laws (including Bankruptcy Law) - applicable to proceedings filed or opened before 15 July 2022 only

In particular, please find below a brief description of the main provisions of the Bankruptcy Law and the other ancillary applicable regulations.

The two primary aims of the Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Bankruptcy Law, occurs when a debtor is no longer able to regularly meet with ordinary means its obligations as they come due. This must be a permanent, rather than a temporary status of insolvency, in order for a court to hold that a company is insolvent. In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

For the sake of clarity, the following analysis will focus on the Italian insolvency laws, as amended and supplemented from time to time, into force before the date of effectiveness of the Insolvency Code (*i.e.* 15 July 2022).

Restructuring Outside of a Judicial Process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it provides the debtor with significant advantages and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being very likely reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger various liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing temporary financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Composizione negoziata per la soluzione della crisi d'impresa under Law Decree 118/2021

The *composizione negoziata della crisi* is an out-of-court proceeding, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 7 of the Law Decree 118/2021 requesting the competent court pursuant to art. 9 of the Italian Insolvency Law, to confirm or modify the protective measures (the "**Protective Measures**"), and, if necessary, to enact the interim measures provided for pursuant to Article 6 of the Law Decree 118/2021 on the same day as the publication of the request in the relevant Companies' Register (*Registro delle Imprese*) and the acceptance of the Expert (as defined below); and if necessary to complete the negotiations (the "**Interim Measures**" and, together with the Protective Measures, the "**Measures**"), and (ii) when the entrepreneur files a petition pursuant to Article 10 of the Law Decree 118/2021 asking the court to authorize certain acts, or to modify the conditions of certain contracts if, as a consequence of the COVID-19 pandemic, such contracts pose an excessive burden on the entrepreneur.

The composizione negoziata della crisi can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*), which are in a distressed situation with reference to their assets, their business and/or their finance, such that it is likely that a crisis or insolvency will follow and it is likely that the financial recovery shall occur, notwithstanding the general thresholds for the application of Bankruptcy Law are not met. Pursuant to Article 5 of the Law Decree 118/2021, *inter alia*, the entrepreneur or the enterprise filing for a *composizione negoziata della crisi* (i) shall certify that no requests for the admission to a *concordato preventivo* procedure nor *accordi di ristrutturazione dei debiti* have been previously filed to the court in such respect and (ii) in the event that the application for a *composizione negoziata della crisi* is dismissed, may not submit a new request before one year has elapsed after the aforementioned dismissal.

Pursuant to Article 13 of the Law Decree 118/2021, the *composizione negoziata della crisi* may also apply to group of companies, in order to provide for the possibility of the negotiated proceeding to take place in a unitary form. It should be noted that Paragraph 10 of such provision provides for the group companies – at the end of the negotiations – to either enter into one of the agreements referred to in Article 11 of the Law Decree 118/2021 (as set out below) as a whole group or enter separately as single companies into the solutions referred to therein.

The *composizione negoziata della crisi* is commenced by the enterprises, on a voluntary basis only, with the filing of a petition for the appointment of a third party and an independent expert (the "**Expert**") which however, pursuant to Article 23 of the Law Decree 118/2021, is prevented for enterprises having filed to access the procedures, debt restructuring agreements and/or *concordato preventivo*, including (i) pursuant to Article 161, Paragraph 6 of the Bankruptcy Law, (ii) pursuant to Article 182-*bis*, Paragraph 6 of the Bankruptcy Law and (iii) the procedures of over-indebtedness restructuring agreement or liquidation of assets referred to in Articles 7 and 14-ter of Law No.3 of 27 January 2012 (i.e. *procedimenti di composizione della crisi da sovraindebitamento e di liquidazione del patrimonio*) pending such procedures. Pursuant to Article 4 of the Law Decree 118/2021 the person who acted as Expert in the context of such proceeding, shall not have or maintain professional relations with the entrepreneur during the two years following the termination of the negotiated proceeding.

If the Expert finds that there are concrete chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's financial and business situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations.

If the Expert finds that there are not concrete chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the secretary general of the chamber of commerce, which provides for the dismissal of the entrepreneur's petition.

The Expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur's distressed situation. However, the Expert's appointment can continue for up to an additional 180 days (pursuant to Article 5, Paragraph 7 of the Law Decree 118/2021) if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 7 and/or Article 10 of the Law Decree 118/2021.

Pursuant to Article 5, Paragraph 8 of the Law Decree 118/2021, at the end of his/her appointment the Expert issues a final report (the "**Final Report**"), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any), which declares the termination of their related effects.

Pursuant to Article 6 of the Law Decree 118/2021, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of Protective Measures. The Protective Measures consist of the following: from the date of publication of the relevant petition, pre-existing creditors cannot obtain pre-emption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions are stayed. However, as opposed to what happens in the *concordato preventivo*, payment of pre-existing creditors is not forbidden. The Protective Measures do not apply to employees' claims.

From the date of publication of the petition requesting the application of the Protective Measures until the date of conclusion of the negotiations or dismissal of the petition for appointment of the Expert, the entrepreneur cannot be declared bankrupt nor insolvent by the court.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures.

If the entrepreneur applies for the Protective Measures (which, as said, are immediately effective), he must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the Protective Measures will be ineffective.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days. The judge, in his or her discretion, may order the revocation of such Protective Measures or shorten their duration.

Upon request of the entrepreneur or of one or more creditors, or upon report of the Expert, the Protective Measures and the Interim Measures can be revoked, or their duration can be reduced, if they do not satisfy the purpose of a positive finalization of the negotiations or appear to be disproportionate compared to the prejudice caused to the creditors that file the relevant request.

Pursuant to Article 9 of the Law Decree 118/2021, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore, if during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. When Protective Measures and/or Interim Measures have been granted, the Expert also reports to the court which may revoke such measures or reduce their duration pursuant to Article 7, Paragraph 6 of the Law Decree 118/2021.

Pursuant to Article 10 of the Law Decree 118/2021, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

(a) the entrepreneur or one or more companies belonging to the same group to incur new super- senior indebtedness (*prededucibile*) pursuant to Article 111 of the Bankruptcy Law;

(b) the entrepreneur to incur new super-senior indebtedness (so-called *prededucibile*) via shareholders' financing pursuant to Article 111 of the Bankruptcy Law;

(c) the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, Paragraph 2, of the Italian Civil Code. However, in such case it will be for the court itself to identify the measures it considers appropriate, taking into account the requests of the parties concerned, in order to protect the interests of all relevant parties involved.

Pursuant to Article 11 of the Law Decree 118/2021, the composizione negoziata della crisi can terminate as follow:

(a) execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 14 of the Law Decree 118/2021 if, according to the Expert's Final Report, such agreement ensures the continuation of the business as a going concern for at least 2 years;

(b) execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 182 *octies* of the Bankruptcy Law;

(c) execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Article 67, Paragraph 3, letter d) of the Bankruptcy Law. In such case, the independent expert's report (*attestazione*) provided under Article 67, Paragraph 3, letter d) of the Bankruptcy Law, shall not be required.

At the end of the negotiations, the entrepreneur can also file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Article 182-*bis*, Article 182 *septies* or Article 182 *novies* of the Bankruptcy Law.

Alternatively, the entrepreneur may:

(a) arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 67, Paragraph 3, letter d) of the Bankruptcy Law;

(b) file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* pursuant to Article 18 of the Law Decree 118/2021 which pursuant to Article 11 of the Law Decree 118/2021 can be filed only following the end of the negotiations;

(c) enter into one of the insolvency proceedings provided under the Bankruptcy Law or in the so-called Prodi *bis* procedure or Marzano procedure.

Pursuant to Article 12 of the Law Decree 118/2021:

(a) the acts authorized by the court pursuant to Article 10 of the Law Decree 118/2021 maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised pre-bankruptcy composition with creditors (*concordato preventivo omologato*), bankruptcy (*fallimento*), compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or concordato semplificato per la liquidazione del patrimonio;

(b) the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 67, Paragraph 2, of the Bankruptcy Law if they are consistent with the development and the status of the negotiations and with the perspectives of recovery (*risanamento*) in place at the time the payment/transaction/granting of security interest was made;

(c) acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 66 and Article 67 of the Bankruptcy Law if the Expert has registered his/her dissent in the companies' register or if the court has denied its authorization pursuant to Article 10 of the Law Decree 118/2021;

(d) payments and transactions made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery (*risanamento*) of the enterprise, or which have been authorized by the court pursuant to Article 10 of the Law Decree 118/2021, benefit of exemptions from the potential application of certain criminal sanctions provided for pursuant to Article 216 and 217 of the Bankruptcy Law.

Potential outcomes: concordato semplificato per la liquidazione del patrimonio under the Law Decree 118/2021

Article 18 of the Law Decree 118/2021 introduces a simplified court-supervised pre-bankruptcy composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*).

If, in its Final Report, the Expert states that the negotiations did not have a positive outcome but have been conducted according to fairness and in good faith, and that the options provided under Article 11, Paragraphs 1 and 2, of the Law Decree 118/2021 are not feasible, within 60 days following the notification of the Final Report the entrepreneur may file, with the competent court of the place where the company has its registered office, a petition for admission to the concordato semplificato per la liquidazione del patrimonio, together with a liquidation plan and the documents listed under Article 161, Paragraph 2, letters a), b), c) and d) of the Bankruptcy Law, which may divide the creditors into various classes. The petition for *concordato semplificato per la liquidazione del patrimonio* is then published in the companies' register within the day following the filing with the court. From the date of such publication, the effects provided under Articles 111, 167, 168 and 169 of the Bankruptcy Law apply.

The court issues a decree approval (*omologazione*) the *concordato semplificato per la liquidazione del patrimonio* when it finds that (i) the proceeding has been carried out in accordance with relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); (ii) the proposal is compliant with preemption rights (*cause di prelazione*) and the liquidation plan is feasible, and (iii) the proposal does not cause a prejudice to the creditors compared to what they would receive in case of insolvent liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery.

The parties may file an objection (*opposizione*) to the above-mentioned decree within 30 days after having been notified of the same.

Out-of-Court Reorganization Plans (piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable, provided that they are finalized at restructuring the debtor’s indebtedness and rebalancing its capital structure. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors or any public authority including tax authorities. The Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies’ Register are needed (although publication in the Companies’ Register is possible upon a debtor’s request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court’s approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of “financial distress” (*i.e.,* facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court’s approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies’ register and is effective as of the day of its publication. The Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-*bis*, Paragraph 6 of the Bankruptcy Law, while negotiations with creditors are pending (*i.e.*, prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies’ register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

The new Article 182-*bis*, Paragraph 8 of the Bankruptcy Law, as amended by Italian Law No. 69 of 21 May 2021, and subsequently replaced by the Law Decree 118/2021, sets the rule for when substantial amendments are made to the plan, *inter alia*, if any substantial change to the plan are is necessary or required before or after the homologation of a debt restructuring agreement with creditors, the entrepreneur shall make the appropriate changes aimed at the implementation of such plan, requesting (i) the independent expert to renew its report as well as (ii) the creditors involved in such debt restructuring agreement to manifest their consent the necessary amendments.

The Law Decree 118/2021 significantly amended Article 182 *septies* of the Bankruptcy Law and introduced in the Bankruptcy Law the new Article 182 *octies*, Article 182 *novies* and Article 182 *decies*, thus anticipating some of the provisions of the Insolvency Code.

Pursuant to the new Article 182 *novies* of the Bankruptcy Law, introduced by the Law Decree 118/2021, the percentage of 60% provided under Article 182-*bis*, Paragraph 1, of the Bankruptcy Law is reduced to the 30% if the debtor (a) waives the 120-day term for the satisfaction of its creditors provided for under Article 182-*bis*, Paragraph 1, letters (a) and (b) of the Bankruptcy Law (therefore implying that the plan must be adequate and capable for the full and timely payment of dissenting creditors); (b) does not previously file a petition for admission to the *concordato in bianco* pursuant to Article 161, Paragraph 6, of the Bankruptcy Law, and (c) does not request the 60-days moratorium pursuant to Article 182-*bis*, Paragraph 6 of the Bankruptcy Law.

Pursuant to the new Article 182-septies of the Bankruptcy Law, debtors are entitled to enter into debt restructuring agreements by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal status and economic interests), and can request the court to declare that agreement binding on non-adhering creditors of the same category (a so-called "cram- down"), provided that certain conditions are met, including that non-participating creditors shall be satisfied to a no lesser extent than the liquidation alternative. The law also provides that ***(i)*** the agreement shall be of a non- liquidating nature, ***(ii)*** the agreement shall contemplate the direct or indirect continuation of the business activity as a going concern, and ***(iii)*** all the creditors belonging to the relevant category (and, therefore, affected by the proceeding) have been duly notified of the beginning of the negotiations, have been kept informed and have been notified the debt restructuring agreement and the sanctioning decree (*decreto di omologa*) and the related documentation. If these conditions are met, the remaining 25% of non-participating creditors belonging to the same class of creditors are crammed down; however, non-participating crammed down creditors can challenge the deal and refuse to be forced into it.

Pursuant to Article 11 of The Law Decree 118/2021 the percentage of 75% is lowered to 60% if the reach of the debt restructuring agreement results from the Final Report issued by the Expert at the end of the negotiations pertaining to the *composizione negoziata della crisi*.

Pursuant to the new Article 182 *septies*, Paragraph 5, of the Bankruptcy Law, a special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, in such case, the rights of creditors who are not banks or financial intermediaries remain valid.

Similarly, pursuant to the new Article 182 *octies* of the Bankruptcy Law, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and creditors representing 75% of the same class would also bind the non-participating creditors, provided that (A) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Bankruptcy Law certifies ***(i)*** the truthfulness of the business data, ***(ii)*** the attitude of the standstill agreement to temporarily regulate the effects of the crisis and ***(iii)*** the fact that the non-adhering creditors suffer a prejudice that is proportionate and consistent with the recovery strategies undertaken by the debtor, and (B) certain further conditions are met (*e.g.*, all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations have been made able to participate in the negotiations and have received complete and up-to-date information on the debtor's assets, economic and financial situation and on the agreement and its related effects). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

The debt restructuring agreement provided under Article 182 *septies* of the Bankruptcy Law and the standstill agreement provided under Article 182 *octies* of the Bankruptcy Law shall not impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities on non-participating creditors.

Pursuant to the new Article 182-*decies* of the Bankruptcy Law, introduced by the Law Decree 118/2021, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt restructuring agreements. Non-participating creditors maintain their claims towards (i) those who are jointly and severally liable with the debtor, (ii) the debtor's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non- limited liability companies, provided that, if such shareholders have granted guarantees, they will remain liable as guarantors.

Pursuant to Article 182-*quater* of the Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (*i.e*., before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors (*finanza ponte*) or granted in execution of the composition with creditors (*finanza in esecuzione*) may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement or the approval of the Pre-Bankruptcy Composition with Creditors.

Moreover, pursuant to the new Article 182-*quinquies* of the Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Bankruptcy Law.

The provision of Article 182-*quinques* of the Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 182-quinquies, paragraph 3 of the Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so-called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo) under Bankruptcy Law

Under Bankruptcy Law, a company which is insolvent or in a situation of crisis (*i.e.*, financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The Decree 118/2021, by amending article 186-bis of the Bankruptcy Law, has provided that, in the context of a composition with creditors on a going concern basis, the plan may provide for a standstill of up to two years from the date of homologation of the composition with creditors proposal (instead of the previous term of one year) for the payment of secured creditors, except in case of liquidation of the assets or rights on which the security has been created. This provision applies to plans submitted after the entry into force of the Decree 118/2021 (i.e. on 25 August 2021).

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so-called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Italian Law No. 98/2013). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*).

Nevertheless, in response to the COVID-19 pandemic, Article 9 of the Liquidity Decree, provides, in relation to *concordato preventivo* proceedings already pending as of 23 February 2020, that the debtor which has already been granted such extension by the Court, can, before the expiry of the deadline, request for a further extension up to 90 days even if there is a petition for bankruptcy declaration pending against it. The petition requesting such additional extension shall provide for the elements that make it necessary to grant the extension with specific reference to the events that have occurred as a result of the COVID-19 epidemiological emergency. The Court, after having obtained the opinion of the judicial commissioner (if appointed), grants the extension when it considers that the application is based on real and reasonable grounds (*concreti e giustificati motivi*).

As a temporary exception to the abovementioned rule, it shall be noted that, pursuant to the Decree 118/2021, starting from after the entry into force of the decree (i.e. on 25 August 2021) and until the end of the state emergency in Italy, the deadline for filing the plan, the proposal and all the relevant documentation is between 60 and 120 days from the date of the filing of the preliminary petition (subject to only one possible further extension of up to 60 days, where there are reasonable grounds (*giustificati motivi*) for such extension) also in the event where a bankruptcy proceeding is pending.

In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Bankruptcy Law (*e.g*., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so-called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfil, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business, are treated as super-senior (so-called *prededucibili*) pursuant to Article 111 of the Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Bankruptcy Law. The super-seniority of the claims which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*) is granted, pursuant to Article 111 of the Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge. The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so-called *prededucibili*) pursuant to Article 111 of the Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favourable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favour of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceeding, the interaction between (i) the provisions set forth under the Trust Deed with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

A pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (*i.e.*, a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

Pursuant to article 169-*bis* of the Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (*e.g*., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad US abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Impacts of the COVID-19 emergency on Insolvency Proceedings

In response to the COVID-19 pandemic, the Italian Government adopted new urgent measures, *inter alia*, on insolvency matters (in addition to the Law Decree 118/2021 mentioned above) in order to (i) preserve the continuity of companies throughout the COVID-19 pandemic and after its end, with particular regard to those that were trading on a going concern basis before the COVID-19 pandemic, and (ii) ensure the successful outcome of certain insolvency proceedings already pending during the COVID-19 pandemic or already approved by the beginning of the COVID-19 pandemic.

Among such legislative measures, the Italian Government enacted the Liquidity Decree.

According to Article 9 of the Liquidity Decree the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements provides, among other things, the extension of 6 months of the deadlines for fulfillment of the obligations provided in an approved *concordato preventivo* or *accordo di ristrutturazione dei debiti omologati* based on a plan expiring after 23 February 2020 shall be extended by six months. In the procedures for the approval (*omologazione*) of a *concordato* and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), pending on 23 February 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato preventivo* in accordance with Article 161 of the Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-*bis* of the Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which it has already been held the meeting of creditors but the majorities were not reached according to Article 177 of the Bankruptcy Law.

Also, a set of measures is aimed at "relaxing" directors' duties in connection with insolvency/pre-insolvency scenarios. The rules requiring the recapitalization (or liquidation or transformation into a different company type) of companies whose losses have substantially eroded the share capital will not apply with respect to losses arisen in the financial year ended on 31 December 2020 and until the five subsequent financial years. This measure, originally provided for by Article 6 of the Liquidity Decree, subsequently replaced by Article 1, Paragraph 266, of Law No. 178 of 30 December 2020, is intended to address the risk that the impact of losses arising from the COVID-19 pandemic on the share capital of companies push directors into the unsustainable position of choosing between the following: (i) putting the company into liquidation or into a bankruptcy or insolvency proceedings or (ii) facing potential personal liability as a result of the delay in complying with such obligations.

Bankruptcy Proceedings (fallimento) under Bankruptcy Law

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in its decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);

- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;

- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. In this respect, Law 132/2015 amended the relevant provision of the Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

Bankruptcy composition with creditors (concordato fallimentare) under Bankruptcy Law

Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claim are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

Statutory priorities

The statutory priority assigned to creditors under the Bankruptcy Law may be different from the priorities in the U.S., the UK and certain other EU jurisdictions. Article 111 of the Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Avoidance powers in insolvency

Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, among others, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favourable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. Please note that in the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

Acts ineffective by operation of law

Under (i) Article 64 of the Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and (ii) Article 65 of the Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

Acts that could be declared ineffective at the request of the bankruptcy receiver

(a) The following acts and transactions, if done or made during the period specified below (so-called "**suspect period**"), may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

(i) onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

(ii) payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

(iii) pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which were not yet due at the time when the new security was granted; and

(iv) pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time when the new security was granted.

(b) The following acts and transactions, if made during the suspect period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:

(i) payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and

(ii) granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(c) The following transactions are exempt from claw-back actions:

(i) payments for goods or services made in the ordinary course of business according to market practice;

(ii) a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

(iii) the sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

(iv) transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67, Paragraph 3(d) of the Bankruptcy Law;

(v) a transaction entered into, payment made or guarantee granted in the context of "concordato *preventivo*" under Article 161 of the Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Bankruptcy Law;

(vi) remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

(vii) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to concordato preventivo procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third party, the third party was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

New financial resources under Bankruptcy Law

Article 182-quater and article 182-quinquies of the Bankruptcy Law apply both to debt restructuring agreements pursuant to article 182-bis of the Bankruptcy Law and composition with creditors.

Article 182-quater provides that claims arising under loans with respect to either the implementation of a Court-ratified composition with creditors or a Court-ratified debt restructuring agreement pursuant to article 182-bis of the Bankruptcy Law are to be deemed super-senior (*prededucibili*) under article 111 of the Bankruptcy Law. Under 182-quater, super seniority also applies to claims arising under loans in anticipation of a filed application for composition with creditors or the application for the homologation of a restructuring agreement pursuant to article 182-bis, but only to the extent that: (i) the loans fall within either the plan underlying the composition with creditors or the debt restructuring agreement; and (ii) the Courts admits the company to the composition with creditors proceeding or ratifies the debt restructuring agreement expressly recognizing the super-seniority of such loans. Same provisions apply to financing granted by shareholders up to 80% of their amount, unless the lender has become a shareholder of the debtor as implementation of a Court-ratified composition with creditors or a Court-ratified debt restructuring agreement pursuant to article 182-bis of the Bankruptcy Law.

Pursuant to article 182-quinquies of the Bankruptcy Law, the debtor, when making a request for admission to the composition with creditors proceeding or for the approval of a debt restructuring agreement (or of a proposal of debt restructuring agreement) may ask the Court for the authorization to execute new super-senior facility agreements provided that an expert (in possession of certain criteria), once it has verified the company's financial needs up until the approval from the Court, certifies that such facilities are aimed at the best resolution for the creditors. Such authorization may also concern facilities identified only by type and amount, the terms of which have not yet even been agreed upon, as well as the granting of a pledge, mortgage or the assignment of claims in order to secure the facilities themselves, provided that: (i) a debtor that has filed a request for admission to the composition with creditors proceeding with going concern is entitled to ask the Court to be authorized to pay credits for the supply of goods or services which have arisen prior to the composition with creditors proceeding, provided that it submits a specific certification made by an expert in possession of the criteria provided by the Bankruptcy Law. Such a certification will not be necessary in case of payments made up to an amount equal to the one granted to the debtor as new financial resources, that are not to be repaid or that are subordinated to the other creditors' claims; (ii) a debtor that has filed for an approval of a debt restructuring agreement or a proposal of a debt restructuring agreement pursuant to the Bankruptcy Law is entitled to ask the Court to be authorized, provided that the conditions listed under para (i) above are satisfied, to pay credits for supply of goods or services that have arisen prior to filing. In such a case, these payments will not be subject to claw-back action pursuant to the Bankruptcy Law.

In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorizations may be given also before the filing of the additional documentation required pursuant to article 161, para. 6 of the Bankruptcy Law.

It should be noted that, pursuant to article 182-quinques of the Bankruptcy Law (as amended by way of the Decree 118/2021), in the event of a composition with creditors on a going concern basis initiated following a petition filed after the entry into force of the decree (*i.e.* on 25 August 2021):

(i) the debtor may repay, in accordance with the relevant contractual terms, the instalments due under a loan agreement which is secured by a security interests over the assets used in the business, provided that: (a) at the date of the submission of the application for admission to the composition with creditors, the debtor has fulfilled its obligations or the court authorises the payment of the debt for principal and interest due at that date; and (b) the expert meeting the requirements set forth in **article** 67, para. 3, letter (d) of the Bankruptcy Law certifies (i) that such payments are essential for the continuation of the business activity and functional to ensuring the best satisfaction of the creditors (as already required by **article** 182-quinquies, para. 5, of the Bankruptcy Law) and, (ii) that the secured claims can be fully satisfied with the proceeds of the liquidation of the asset carried out at market value and that the repayment of the instalments due does not prejudice the rights of the other creditor; and

(ii) the court may authorize payment of the remuneration due, for the months preceding the filing of the application for the composition with creditors, to the workers employed in the business whose continuation is envisaged under the plan.

Italian laws (including Insolvency Code) applicable after 15 July 2022 (i.e. the date of the entry into force of the Insolvency Code)

Below is a brief description of the main provisions of the following type of proceedings provided under Insolvency Code which, after the entry into force of the latter (on 15 July 2022), has superseded the Bankruptcy Law:

(a) judicial liquidation (*liquidazione giudiziale*) under the Insolvency Code;

(b) composition with creditors (*concordato preventivo*) under the Insolvency Code;

(c) negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) under the Insolvency Code;

(d) simplified composition with creditors proceeding (*concordato semplificato per la liquidazione del patrimonio*) under the Insolvency Code;

(e) certified restructuring plans (*piani attestati di risanamento*) under the Insolvency Code;

(f) debt-restructuring agreements (*accordi di ristrutturazione dei debiti*) under the Insolvency Code; and

(g) restructuring plans subject to homologation (*piani di ristrutturazione soggetti a omologazione*) under the Insolvency Code.

The abovementioned restructuring/insolvency tools are available under the Insolvency Code for insolvent companies or a debtor in a state of crisis, as the case may be, and, in certain cases, also to debtors experiencing an economic or financial imbalance such as to make it likely that a state of crisis and/or distress or their insolvency will occur.

For the sake of completeness, please note that the Insolvency Code also provides for a simplified court-supervised composition with creditors (*concordato minore*) in case the debtor does not meet the dimensional requirements to access other restructuring tools, which follows the main procedural steps and effects provided for the composition with creditors proceeding (*concordato preventivo*), but entails the involvement and the assistance to the debtor of the board for crisis settlement (*organismo di risoluzione della crisi*).

Furthermore, please find below a brief summary of the following proceedings, which remain available to large companies also in the context of the new rules provided under the reform process.

(a) extraordinary administration for large insolvent companies (*amministrazione straordinaria delle grandi imprese insolventi*), under the Decree 270; and

(b) extraordinary administration for the industrial restructuring of large insolvent companies (*amministrazione straordinaria per la ristrutturazione industriale delle grandi imprese insolventi*), under the Decree 347. For businesses performing essential public services, this type of proceedings would also be subject to the Decree 134.

Please also find below a brief description of the forced administrative liquidation procedure (*procedura di liquidazione coatta amministrativa*).

Definition of "insolvency" and "crisis" under the Insolvency Code

The Insolvency Code introduced a specific concept of crisis, which is defined under **article** 2, letter (a) of the same Insolvency Code as the state of the debtor such that it is likely that insolvency will follow, which is manifested by the inadequacy of prospective cash flows to meet obligations in the following 12 months.

Insolvency is defined under article 2, letter (b) of the Insolvency Code as the inability of the debtor to regularly meet its obligations as they become due, evidenced by defaults and/or other external elements.

Both insolvency and crisis are factual situations upon the occurrence of which different instruments provided for by the Insolvency Code may be activated.

Judicial winding-up (liquidazione giudiziale) under Insolvency Code

The judicial winding-up (*liquidazione giudiziale*) is a court-supervised procedure for the liquidation of an insolvent company's assets and for the distribution of the related proceeds. It results in the company's liquidation. Insolvency, as defined under Article 2 of the Insolvency Code, also evidenced by defaults and/or external elements, occurs when a debtor is no longer able to regularly meet its obligations as they come due.

The judicial winding-up is declared by the competent court and is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness (including debts not yet due) in excess of €0.5 million. Pursuant to Article 37 of the Insolvency Code, the request to commence the judicial liquidation of the debtor company's assets can be filed by (i) the debtor company itself, (ii) the administrative bodies and authorities that have control and supervisory functions over the company, (iii) by one or more of the debtor's creditors and (iv) in certain cases, by the public prosecutor.

The judicial liquidation is opened and declared by the competent Courts upon a specific petition that can be filed by (i) the debtor itself; (ii) the administrative bodies and authorities that have control and supervisory functions over the company; (iii) one or more creditor; and (iv) in certain cases, the public prosecutor.

Upon opening the judicial liquidation proceeding, the Courts (inter alia) appoint a receiver and the debtor loses control over all its assets and over the management of its business which is taken over by the court-appointed receiver.

As a general rule, starting from the opening date of the judicial liquidation, stay of action applies and no enforcement and interim proceedings can be brought or continued against the debtor over the assets included in the estate. Specific exceptions by operation of law apply for certain claims secured by mortgages, pledges or guarantees among which, inter alia:

(i) mortgages securing loans pursuant to articles 38 and ff. of Italian Consolidated Banking Law (so-called "*mutuo fondiario"*): such mortgages may be enforced by the lender also after the opening of judicial liquidation vis-à-vis the debtor;

(ii) pledges pursuant to Decree 170 (so-called «financial pledge» *(pegno finanziario*))*:* upon occurrence of an enforcement event, the relevant secured creditor may immediately sell the pledged financial assets and retain an amount equal to the secured obligation, even if an insolvency proceeding has been opened;

(iii) pledges over movable assets: creditors secured by pledges over movable assets of the debtor may be authorized to sell the pledged assets during the procedure, after admission to the statement of liabilities (*ammissione allo stato passivo*) with secured ranking;

(iv) third-parties guarantees: even after the opening of judicial liquidation, creditors may decide to enforce any guarantees (and/or security-interests) granted by third-parties in the interest of the debtor.

Upon the commencement of judicial winding-up proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as secured claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the debtor's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the judicial receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the debtor's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the judicial receiver (*curatore*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the payments of all debts and liabilities of the debtor and all the acts, transactions, payments made or received by the insolvent debtor are immediately suspended and formalities with third parties that have been carried out after the declaration of insolvency are not effective as regards the creditors of the debtor (Article 145 of Insolvency Code);

- the debtor is dispossessed, and the administration of the debtor and the management of its assets are transferred to the judicial receiver (*curatore*). The debtor may no longer validly act in court as claimant or defendant in relation to the assets (Article 142 of the Insolvency Code). The judicial receiver is vested with such powers upon the authorization of the delegated judge. However, all pending proceedings in which the debtor is involved are automatically stayed from the date the adjudication is issued and need to be re- initiated by or against the judicial receiver;

- the beginning of the judicial winding-up involves the cessation of all the activities of the company with a view to a sale of all assets. However, continuation of business may be authorized by the court if the continuation of the company's business does not cause damage to creditors. If the competent court authorizes the continuation of the business (*esercizio provvisorio dell'impresa*), the management of the business is entrusted to the judicial receiver (who may in turn avail himself of qualified third parties for this purpose);

- certain payments made, security interests given or transactions entered into by the debtor in a certain period before the debtor's submission to a judicial winding-up procedure (varying from six months to two years) can be set aside and clawed back if certain conditions are met (provided for pursuant to Article 166 of the Insolvency Code). For the analysis of the rules regulating the claw-back actions please see the specific paragraph "Acts that may be avoided at the request of the judicial receiver/court commissioner" below;

- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the insolvency declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the judicial receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for the Insolvency Code.

- As far as receivables vis-à-vis the judicial liquidation proceedings are concerned, each creditor must lodge his claims with the competent court. The filing of the proof of claim by the creditor is necessary to demonstrate the creditor's right to participate in the liquidation, the amount of its claim and its ranking. The judge delegated by the court (giudice delegato), upon proposal of the receiver, will decide which claims are admitted to the statement of liabilities (stato passivo), for which amount they are admitted and whether the claims are to be qualified as secured of not. Each creditor may challenge (opposizione) the decision of the judge in front of the court. The same procedure applies also to individuals and entities claiming the right to obtain the restitution of assets. The sale of the debtor's assets is carried out by the receiver – or the delegated – through public auctions in compliance with a liquidation program proposed by the receiver and approved by the creditors' committee. Creditors are then repaid out of the proceeds of the liquidation, which is managed by the receiver, according to the principle of equal treatment of creditors (so-called *par condicio creditorum*) and in line with the statutory order of priority among creditors.

In order to overcome the uncertainty that may predictably arise, the contractual counterparty may file a written petition requiring the Court to give the judicial receiver (*curatore*) a deadline of no more than 60 days; within such deadline, the receiver must decide to enter into the agreement or withdraw from it. Upon expiration of the deadline without the judicial receiver having replied to the counterparty's request, the pending agreement is deemed terminated. Although the general rule is that the judicial receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by the Insolvency Code.

Judicial winding-up proceedings, as per the former bankruptcy proceedings under Bankruptcy Law, are carried out and supervised by a court-appointed judicial receiver, a deputy judge (*giudice delegato*) and a creditors' committee (*comitato dei creditori*). The judicial receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate property.

Furthermore, the parties of a judicial winding-up proceeding as well as any interested party, may file an appeal (*opposizione*) to the decree closing the judicial winding-up proceeding within 30 days after having been notified of the same.

Composition with creditors in judicial liquidation (concordato nella liquidazione giudiziale)

Pursuant to Article 240 of the Insolvency Code, judicial liquidation proceedings can terminate prior to the actual judicial liquidation (*liquidazione giudiziale*) of the debtor, through a proposal for a composition with creditors in judicial liquidation. By way of preliminary note, such agreement occurring in the context of a judicial liquidation proceeding (i) replaced the former proceeding defined as "*concordato fallimentare*", a composition with creditors agreement occurring in the context of a bankruptcy proceeding (*fallimento*) formerly provided for under Article 124, paragraph 1 of the Bankruptcy Law and (ii) should be kept distinct from the *concordato preventivo,* which is an independent insolvency proceeding. This particular composition with creditor agreement arrangement benefits in a certain way both the debtor as well as the creditors, in fact while the former is released of the debts falling into the relevant plan also regaining free disposal of his assets, the latter is satisfied faster and to a greater extent than they would have been with the full completion of the judicial liquidation process pertaining to the debtor's assets.

The creditor, a third party or the debtor himself formulates a proposal having as its object a "plan" to satisfy creditors, including preferential creditors, in full or in part. In case the *concordato nella* liquidazione giudiziale is proposed by the debtor, such proposal, inter alia, (i) shall be filed after 1 year from the opening of the judicial liquidation proceeding and (ii) shall provide for the contribution by the debtor of resources that increase the value of the debtor's assets by at least 10%.

Such proposal shall be submitted to the competent judge, shall then be approved by the creditors and finally by the court. In case the court's decree approving the concordato nella liquidazione giudiziale becomes final (*definitivo*), the court declares the judicial liquidation to be closed and terminated, initiating the enactment phase of the concordato nella liquidazione giudiziale. In the context of a concordato nella liquidazione giudiziale, the competent court supervises both the proposal and execution phases while the judicial receiver (*curatore*), once the liquidation is closed, loses his management functions and retains only supervisory duties over the fulfilment of the terms and the conditions of the arrangement obligations arising from or in connection with the aforementioned concordato nella liquidazione giudiziale.

Pursuant to Article 240, paragraph 2 of the Insolvency Code, the proposal may provide for:

(a) the division of creditors into classes, according to homogeneous legal position and economic interests.

(b) Under the relevant provision, such division is not mandatory but discretionary, provided two criteria for the class identification: (a) legal position, i.e., the nature of the claim, e.g., unsecured or preferential and (b) the homogeneous economic interests. In this respect, the Insolvency Code requires for the criteria and rationale for the division into classes to be expressly stated in order to avoid the distorted use of class formation, put in place for the sole purpose of obtaining the approval of the abovementioned proposal;

(c) differential treatment between creditors belonging to different classes, indicating the reasons of such differences;

(d) the restructuring of the financial indebtedness of the debtor as well as the satisfaction of claims in any form possible, by way of example:

    (i) by assignment of assets;

    (ii) by assumption (*accollo*);

    (iii) by means of other extraordinary transactions, including the assignment to creditors (as well as to companies in which they have an interest), of shares, quotas or bonds, including those convertible into shares or other financial instruments and debt securities.

It should be noted that a special feature of the *concordato nella liquidazione giudiziale* is the option to provide that secured creditors may not be satisfied in full. However, it is necessary for the plan to provide for their satisfaction to a non-lesser extent than that the one which can be realized, by reason of preferential placement, from the relevant proceeds in the event of a judicial liquidation, having regard to the market value attributable to the assets or rights over which the cause of pre-emption exists.

The *concordato nella liquidazione giudiziale* proposal must be approved by the creditors' committee and the creditors holding the simple majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in the majority of the classes). However, in the event of dissent by more than one creditor's class, a cram-down may occur (*i.e.* in case the court decides to approve the *concordato* - despite a creditor belonging to a dissenting class contests the appropriateness of the proposal - if it finds that the claims can be satisfied by the *concordato* to a non-lesser extent than the practicable alternatives. Final court confirmation and sanctioning (*omologazione*) is also required.

Finally, once approved and sanctioned (*omologato*) by the court the *concordato nella liquidazione giudiziale* is mandatory:

(a) for all existing creditors prior to the opening of the judicial liquidation proceeding; and

(b) for creditors who have not applied for the admission to the judicial liquidation estate, to whom the guarantees or the security interests given in the concordato nella liquidazione giudiziale by third parties do not extend.

With the termination of the judicial liquidation - as a consequence of the sanctioning decree (*decreto di omologa*), which pursuant to Article 247 of the Insolvency Code may be challenged and appealed within 30 days from its notification - the debtor returns "*in bonis*" and enjoys the renewed availability of its assets.

Statutory priorities

The statutory priority assigned to creditors under the Insolvency Code may be different from the priorities in the U.S., the UK and certain other EU jurisdictions. The proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure) as better identified in Article 6 of the Insolvency Code; (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing) the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the debtor's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian judicial liquidation estate to the extent they are inconsistent with the priorities provided by law). The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire debtor's estate or part thereof, or from a single asset.

In particular, pursuant to Article 6 of the Insolvency Code, in addition to claims expressly qualified as "*prededucibili*" under Italian law, among others, the following claims are "*prededucibili*":

(a) claims relating to expenses and fees for services rendered by the business crisis settlement body;

(b) professional claims arising from or in connection with the filing for the approval of a restructuring plan subject to homologation, the debt restructuring agreements and for the application for protective measures, to the extent of 75% of the assessed claim and provided that the abovementioned plan or agreements are approved and homologated;

(c) professional claims arising from or in connection with the filing of for a court supervised composition with creditors procedure as well as the filing of the related proposal and the plan accompanying it, within the limits of 75% of the ascertained claims and provided that the proceedings are opened pursuant to Article 47 of the Insolvency Code; and

(d) claims legally arisen in connection with insolvency proceedings for the management of the debtor's assets and the continuation of the business of the company as well as arising from the professional services required by the related bodies.

Avoidance powers in insolvency

A fundamental principle of the Insolvency Code is the equal treatment of all creditors ("*par condicio creditorum*"), according to which, absent statutory priorities or security right, no creditor may be paid a higher percentage of his claim than other creditors. A consequence of this principle is not only that the payment of debts by the judicial receiver is strictly regulated, but also that all transactions effected by the debtor over the previous year (or, in certain cases, over the previous six months) are scrutinized and potentially unwound as preferential.

Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of insolvency. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favourable to the receiver in judicial winding-up compared to the rules applicable in other jurisdictions.

In insolvency proceedings, depending on the circumstances, the Insolvency Code provides for a claw-back period of up to two years (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. In the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Insolvency Code distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the judicial receiver/court commissioner, as detailed below.

Acts ineffective by operation of law

Under (i) Article 163 of the Insolvency Code, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor after the filing to the relevant court followed by the opening of the judicial winding-up procedure or within the two years preceding the opening of such insolvency proceeding. Any asset subject to a transaction which is ineffective pursuant to Article 163 of the Insolvency Code becomes part of the liquidation estate by operation of law upon registration (*trascrizione*) of the court's decision opening the insolvency proceeding, without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law, and (ii) under Article 164 of the Insolvency Code, (A) payments of receivables falling due on the day of the judicial declaration of opening of the judicial liquidation or later, if they were executed by the debtor after the filing of the application followed by the opening of the winding-up proceeding or in the prior two-year period; and (B) payments made by the debtor with respect to any intercompany loan within one year prior to a judicial winding-up declaration (or after the filing of the application followed by the opening of the winding-up proceeding), are ineffective *vis-à-vis* creditors.

Acts that may be avoided at the request of the judicial receiver/court commissioner

The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the debtor as provided for by Article 166 of the Insolvency Code and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

(i) onerous transactions carried out after the filing followed by the opening of the judicial liquidation proceeding or in the previous year, where the value of the debt or the obligations undertaken by the debtor exceeds 25% of the value of the consideration received by and/or promised to the debtor (such term is extended to 2 years for intercompany transactions);

(ii) payments of debts, due and payable, made by the debtor which were not paid in cash or by other customary means of payment which were carried out after the filing followed by the opening of the judicial liquidation proceeding or in the previous year (such term is extended to 2 years for intercompany transactions);

(iii) pledges and mortgages granted by the debtor after the filing followed by the opening of the judicial liquidation proceeding or in the year prior, in order to secure pre-existing debts which were not yet due at the time the new security was granted; and

(iv) pledges and mortgages granted by the debtor after the filing followed by the opening of the judicial liquidation proceeding or in the six months prior in order to secure pre-existing debts which had already fallen due at the time the new security was granted (such term is extended to 1 year for intercompany transactions).

Furthermore, transactions carried out after the filing followed by the opening of the judicial liquidation proceeding or in the prior six months, which may be set aside if the receiver proves that the other party was aware of the insolvency of the debtor and, in particular:

(a) payments of debts due and payable;

(b) transactions for valuable consideration;

(c) transactions creating priority rights/security interests relating to debts simultaneously incurred.

The following transactions are exempt from claw-back actions:

(a) payments for goods or services made in the ordinary course of business according to market practice;

(b) a remittance on a bank account; provided that it does not materially and permanently reduce the entity's debt towards the bank;

(c) the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, in force as the date of this Information Memorandum, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

(d) transactions entered into, payments made or guarantees granted with respect to the debtor's goods, provided that they concern the implementation of a *piano attestato di risanamento* (see "*Out-of-court reorganization plans (piani attestati di risanamento) pursuant to Articles 56 or 284 of the Insolvency Code*" above);

(e) a transaction entered into, payment made or guarantee or security interests granted in the context of a court supervised composition with creditors (*concordato preventivo*), of a restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) provided for pursuant to Article 64-*bis* of the Insolvency Code or of sanctioned debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti omologati*) and/or transactions entered into, payments made and security interests legitimately granted by the debtor after the filing of the application for a *concordato preventivo* or of an *accordo di ristrutturazione dei debiti* (see above);

(f) remuneration payments to the entity's employees and consultants concerning work carried out by them; and

(g) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to a pre-judicial liquidation restructuring framework (see below under "*pre-judicial liquidation restructuring frameworks* (*strumenti di regolazione della crisi e dell'insolvenza della società*)") or to other insolvency procedures provided for pursuant to the Insolvency Code.

Pursuant to Article 170 of the Insolvency Code, the limitation period for initiating claw-back action proceedings is three years from the opening of the judicial liquidation procedure or, if earlier, five years from the act or transaction to be clawed back. In case judicial liquidation is commenced after the filing of a petition to be admitted to any insolvency proceedings, according to Article 170, paragraph 2 of the Insolvency Code, the suspect period is calculated backward from the date in which such petition is filed. In addition, in certain cases, the judicial receiver can request that certain transactions of the debtor be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. In this respect, under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the debtor was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the debtor for the purpose of prejudicing the creditors) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

Under article 165 of the Insolvency Code, which refers to article 2901 of the Italian Civil Code (that – in turn - provides for a general and ordinary claw back action (*revocatoria ordinaria*) – that may be brought against the debtor (and its counterparty) also in case no judicial liquidation proceedings are pending), acts by which the debtor disposes of its assets (other than payments of due and payable amounts) may be clawed back if the receiver can prove that the debtor was aware of the prejudice that such act would cause to its creditors (including future creditors, to the extent that the act was made in order to create such prejudice) and, to the extent that the act was non-gratuitous act, the counterparty was aware of such prejudice.

In addition, pursuant to article 163 of the Insolvency Code, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the debtor after the filing to the relevant court followed by the opening of the judicial winding-up procedure or within the two years preceding the opening of such insolvency proceeding. Any asset subject to a transaction which is ineffective pursuant to article 163 of the Insolvency Code becomes part of the liquidation estate by operation of law upon registration of the court's decision opening the insolvency proceeding (*trascrizione della sentenza che ha dichiarato l'apertura* *della procedura concorsuale*), without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law.

Moreover, under article 164 of the Insolvency Code, *inter alia,* are ineffective vis-à-vis creditors:

(i) payments of receivables falling due on the day of the of the declaration of opening of the judicial liquidation or after such date, if carried out by the debtor after the filing of the application followed by the opening of the insolvency proceeding or in the prior two-year period; and

(ii) payments made by the debtor with respect to any intercompany loan, if carried out by the debtor after the filing of the application followed by the opening of the insolvency proceeding or in the previous year.

The Insolvency Code provides special regimes on preferences and avoidances of intra-group transactions. Under Article 290 of the Insolvency Code the limitation period of initiating intra-group claw-back actions (referring to acts and transactions entered into by companies belonging to the same group that jeopardize the creditors' interest) is extended to five years from the filing for judicial winding-up declaration.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.,* gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser. Finally, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

Composition with creditors (concordato preventivo) under the Insolvency Code

Prior to the opening of judicial liquidation (*liquidazione giudiziale*), a debtor that is facing a situation of either crisis or insolvency may apply for a pre-insolvency composition with creditors proceeding ("*concordato preventivo*") pursuant to Insolvency Code, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of insolvency proceedings.

Such *concordato* proposal can be made by a commercial enterprise (*imprenditore commerciale*) which exceeds any of the following thresholds: (i) annual balance sheet assets (*attivo patrimoniale*) greater than €300,000 in the last three financial years (from the date on which the petition for judicial liquidation was filed) or from the establishment of the company if it has been incorporated less than three years before the *concordato* petition; (ii) annual gross proceeds (*ricavi lordi*) greater than €200,000 over the last three financial years (from the date on which the *concordato* petition was filed) or from the establishment of the company if it has been incorporated less than three years before the *concordato* petition; and (iii) indebtedness (including debt that is not overdue and payable) greater than €500,000.

Only the debtor itself can file the *concordato* petition before the court based in the location of the debtor's main office.

The *concordato* petition must be accompanied by a number of mandatory documents and annexes, among which, *inter alia,* a workout plan, the content of which shall meet specific requirements set forth under the Insolvency Code including, without limitation, description of the reasons why the company is facing a distressed situation, description of the company's group and activity, the liquidation value (*valore di liquidazione*) of the company's assets in a judicial liquidation *scenario,* content of the restructuring proposal to creditors and a report drafted by a third-party independent expert in possession of certain professional requirements certifying the truthfulness of the data on which the plan is grounded and its feasibility, copy of the company's financial statements in relation to the past three financial years, as well as updated economic and financial accounts of the company, an exhaustive description of the company's assets and the list of the company's creditors, indicating their names, the amount of their claims and the ranking of such claims. Furthermore, pursuant to the Insolvency Code, the debtor shall file a report describing all acts and transactions exceeding the ordinary course of business carried out by the company over the preceding five years; a description of possible legal actions for damages as well as possible claw-back actions and legal actions potentially enforceable against the company and its corporate bodies in a judicial liquidation *scenario*; as well as in case the company belongs to a group, certain additional information about the group itself.

According to articles 39 para. 3 and 44 of the Insolvency Code, the debtor may file a "preliminary and simplified application" for admission to *concordato preventivo* (so called "*concordato in bianco*" or "*concordato con riserva*"), meaning that the company might request to the courts the granting of a deadline – for a minimum of 30 days to a maximum of 60 days – within which the company shall then file the "full application" including the *concordato* plan and all other necessary documents. When filing a "simplified application", the company must only attach to the relevant petition: (i) copy of the company's financial statements relating to its three last financial years; and (ii) a list of the company's creditors, indicating the name of the relevant creditor, the amount and ranking of its claim towards the company as well as its digital domicile (*domicilio digitale*). According to the Insolvency Code, within the aforementioned deadline the company is also entitled to file (instead of the full *concordato* application) a petition for homologation of debt-restructuring agreement under article 57 of the Insolvency Code or for homologation of a restructuring plan subject to homologation under article 64-*bis* of the Insolvency Code. Such deadline can be extended only once for additional maximum 60 days upon the company's request, provided that there are reasonable grounds (*giustificati motivi*) for such extension and that no petitions for the opening of judicial liquidation are pending against the company. In case the debtor does not file the proposal, the plan, the expert report and the other documents within the established deadline, the court will not admit the debtor's request and, if the *criteria* provided by the Insolvency Code are met, the court could open the judicial liquidation upon request from a creditor or the public prosecutor. Upon grating of the deadline by the courts and up until its expiry, the debtor shall comply with the monthly information undertakings set by the court itself, including, *inter alia*, information undertakings relating to the debtor's financial management and to the activities carried out in order to finalize the debtor's workout plan and proposal to creditors. Moreover, the debtor shall monthly file with the court an updated report about the company's financial situation, which is then published in the competent companies' register. Pending the above-mentioned deadline, the debtor can carry out both activities of ordinary management and urgent activities of extraordinary management provided that, in the latter case, it has been duly and priorly authorized by the Court. After the company's filing of the preliminary and simplified application, appoints a Pre Judicial Commissioner (*pre-commissario giudiziale*), who will supervise the proceeding and will have to review – *inter alia* and together with the Court - all the company's requests for authorization relating to the performance of activities of extraordinary management. All the third-party claims which may arise from acts legally performed by the debtor after the filing will be deemed super-senior (*prededucibili*).

The *concordato* petition is published by the debtor in the company's register by the registry of the court and communicated to the public prosecutor. From the date of such publication to the date on which the court homologates the *concordato preventivo*, pre-existing creditors cannot obtain security interests (except in case this has been priorly authorized by the courts) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

According to article 54, paragraph 2, of the Insolvency Code, provided that the petition for the admission to the *concordato* proceedings includes the relevant request for protective measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue the enforcement and the conservative actions (or, in any event, to take any initiatives prohibited under the relevant measures). Final decision on such request (which is provisionally effective starting from its publication in the companies' register) shall be taken by the competent court and the length of the stay of action period is for maximum four months (subject to extensions under certain circumstances, in any case not exceeding an overall period of twelve months). During the stay of action period, *inter alia*, the judicial liquidation cannot be opened by the court. Protective measures might be revoked by the Courts upon occurrence of certain circumstances, including – without limitation – upon discovery of fraudulent acts by the debtor. The debtor may request, by a subsequent petition, to be granted by additional interim measures to prevent certain actions of one or more creditors from affecting, from the negotiation phase, the positive outcome of the initiatives taken for the regulation of the crisis or insolvency. The abovementioned measures can also be requested by the debtor pursuant to article 44 of the Insolvency Code, together with a "preliminary and simplified application" for the access to one of the restructuring tools provided for by the Insolvency Code.

Unless specific provisions apply by operation of law or relevant collective contracts (*contratti collettivi*), a company employing more than 15 employees must inform in writing the relevant trade union representatives about the decisions taken while drafting the *concordato* plan and which have an impact over the employment agreements of a number of employees, including in case such decisions relate to the work-organization and/or the modalities of work. Trade union representatives can ask for a meeting with the company by the 3 days following receipt of such notice and the following consultation among the parties shall start by the following 5 days and – unless otherwise agreed – shall have a duration of no more than 10 days.

In addition to all the above, upon filing of *concordato* application (including filing of a simplified petition), *inter alia* (i) as a general rule, monetary obligations of the company are deemed as due on the date of *concordato* filing; (ii) set-off is allowed only if (a) all the claims/debts subject matter of the set-off arose prior to the filing date; or (b) all the claims/debts subject matter of the set-off arose after the filing date; (iii) accrual of interest on unsecured claims is suspended. Interests on secured claims will continue to accrue in accordance with specific rules set out under the Insolvency Code.

Any act, payment or security executed or created after the filing of the *concordato preventivo* application and in accordance with its rules and procedures is exempt from claw-back action. The debtor is also exempt from certain bankruptcy crimes provided under articles 322, third paragraph ("preferential bankruptcy"), and 323 ("simple bankruptcy") of the Insolvency Code, in relation to acts and payments made in execution of the composition with creditors and/or in relation to finance provided under article 99 of the Insolvency Code upon judicial authorization. Claims arising from acts lawfully carried out by the distressed company have super senior priority (*prededucibili*) in the event of a subsequent judicial liquidation.

The concordato plan can be aimed either at:

(i) the direct or indirect continuation of the company's business activity (so called *"concordato in continuità aziendale*") - in such event, creditors are satisfied (in full or part) with the proceeds arising from the continuation of the business activity; or

(ii) at the liquidation of the company's assets (so called "*concordato con liquidazione del patrimonio*") – in such event, the *concordato* plan must necessarily provide for a cash injection, by a third-party, which can increase of at least 10% the available assets and ensure a minimum recovery of at least 20% for unsecured creditors.

The proposal filed in connection with the *concordato* petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato in continuità aziendale*)), including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to an assumptor (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes (which is mandatory in certain cases provided under the article 85 of the Insolvency Code), provided that each class is composed of creditors having homogeneous legal positions and economic interests; and (iv) different treatment of creditors belonging to different classes. The *concordato* proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Please note that *concordato preventivo* qualifies as "with going concern" (*in continuità aziendale*) when the plan provides for the continuation, on a direct or indirect basis, of the business by the debtor activity and creditors are satisfied – even through a non-prevalent extent – through the proceeds arising from the continuation of the business activity. Pursuant to article 84 of the Insolvency Code, the business continuity shall safeguard the creditors' interest as well as, to the maximum extent possible, the occupational levels of the company.

Furthermore, certain specific rules apply only to composition with creditors proceedings with going concern (*in continuità aziendale*). In particular, *inter alia*:

(i) under article 84, para. 6 of the Insolvency Code, in a composition with creditors proceedings with going concern (*in continuità aziendale*) (a) proceeds arising from the liquidation of company's assets shall be distributed to creditors in accordance with the so called "absolute priority rule", *i.e.,* in accordance with the creditors' ranking pursuant to Italian law; whilst (b) proceeds arising from the continuation of the business activity (thus, exceeding the liquidation value) can be distributed in accordance with the so called "relative priority rule", meaning that it is not mandatory to distribute them in accordance with creditors' ranking but it is sufficient to ensure that all classes of creditors sharing the same ranking are treated equally and in a way which is more favourable than that of the classes of creditors ranking junior to them. Without prejudice to the above, claims which are secured pursuant to article 2751-bis of the Italian Civil Code (i.e., salaries) must be satisfied in compliance with the "absolute priority rule";

(ii) the division into classes is mandatory. Classes must be created also in relation to secured creditors unless they are repaid in full by means of cash within 180 days (reduced to 30 days for employees) after the homologation without any waiver to their security interests. So called "*imprese minori*" (i.e. enterprises not subject to judicial liquidation) which are unsecured creditors of the company under supply agreements for goods or services shall be put into different classes;

(iii) save for the provisions provided for under article 109 of the Insolvency Code, under article 86 of the Insolvency Code the *concordato* plan of a composition with creditors on a going concern basis (*in continuità aziendale*), may provide for a standstill for the secured creditors, which may extend up to six months from the date of homologation of the *concordato* proposal for the payment of secured creditors (*creditori privilegiati*) pursuant to article 2751-bis of the Italian Civil Code (i.e. employees, professionals etc.);

(iv) the *concordato* plan of a composition with creditors on a going concern basis (*in continuità aziendale*) must detail, *inter alia*, the financial impact of the plan and the time needed to achieve the rebalance of the company's financial situation. Moreover, in case the plan provides for the direct continuation of the business activity, the plan must include a detailed indication of the envisaged costs and revenues, financial needs and relevant cashflows, also considering those costs which are necessary to ensure compliance with applicable employment and environmental laws;

(v) the expert's report must certify that such plan is aimed at overcoming or preventing the company's insolvency and at ensuring the economic sustainability of the company. Moreover, the expert's report shall confirm that creditors' treatment (recovery) in the *concordato* is not worse than creditors' treatment (recovery) in a judicial liquidation;

(vi) creditors cannot unilaterally refuse to fulfil their obligations under pending contracts, nor they can terminate them or anticipate relevant due dates/expiry dates or amend them in way which is detrimental for the debtor for the sole reason of the debtor's application for/access to composition with creditors on a going concern basis (*in continuità aziendale*) (or of the granting of protective measures). Any contrary provision is ineffective. Without prejudice to the above, creditors which are interested by protective measures cannot unilaterally refuse to fulfil their obligations under "essential pending contracts" (*contratti essenziali in corso di esecuzione*) nor they can terminate them or anticipate relevant due dates/expiry dates or amend them in way which is detrimental for the debtor for the sole reason of non-payment, by the debtor, of claims arisen before filing of the application for to composition with creditors on a going concern basis (*in continuità aziendale*). According to the Insolvency Code, a contract is "essential" if it is necessary for the continuation of the ordinary business activity, including supply contracts the cessation of which could prevent the company to continue its business activity.

Under article 100 of the Insolvency Code, *inter alia*, a debtor who files for a *concordato* on a going concern basis (*in continuità aziendale*) may request the court to authorize payment: (i) of debts arisen before *concordato* filing in relation to supply of goods or services which are essential for the company, provided that an independent expert certifies that they are essential for business continuity and to ensure the best satisfaction of creditors; and (ii) in accordance with the relevant contractual terms, of the instalments due under a loan agreement which is secured by a security interests over the assets used in the business, provided that (a) on the *concordato* filing date, the debtor has fulfilled its obligations under the agreement, or the court authorises the payment of the debt for principal and interest due at that date; and (b) a third-party independent expert certifies that such payments are essential for the continuation of the business activity and functional to ensuring the best satisfaction of the creditors and that the secured claims can be fully satisfied with the proceeds of the liquidation of the asset, carried out at market value, and that the repayment of the instalments does not prejudice the rights of the other creditors.

As mentioned, according to article 84 of the Insolvency Code, in a composition with creditors proceeding without going concern ("*con liquidazione del* patrimonio"), *concordato* proposal must provide for a contribution (cash injection) of resources by a third-party, which can increase of at least 10% the assets (*attivo*) available to creditors as of the filing date and ensure a minimum recovery of at least 20% for unsecured creditors. The third-party resources subject matter of the mandatory contribution can be distributed to creditors also irrespectively of their ranking, provided that the above-mentioned 20% minimum recovery is achieved. According to the Insolvency Code, contributions made by the company's shareholders without any repayment-obligation by the company (as well as shareholders' contributions fully and expressly subordinated) qualify as "third-party contributions" for the purposes of article 84 of the Insolvency Code, if the plan provides for their direct application to the benefit of company's creditors. As a general rule, the division into classes of creditors is not mandatory for composition with creditors proceeding without going concern ("*con liquidazione del patrimonio*"). However, pursuant to article 85 para. 2 of the Insolvency Code, classes must be created in relation to the following creditors: (i) creditors for tax claims and/or social contributions claims which will not be repaid in full; (ii) creditors benefitting of security interests/guarantees issued by third parties; (iii) creditors which will be satisfied not by means of cash (also in case satisfaction is made partly in cash and partly by way of other means); (iv) creditors who filed a "competing *concordato* proposal" and their related parties.

Upon the filing, the Courts, *inter alia*, determines whether the proposal for the composition is admissible assessing: (i) in case of a composition with creditors proceeding without going concern ("*con liquidazione del patrimonio*"), the admissibility of the proposal and the feasibility of the plan (meaning that the plan shall not be manifestly unfit to achieve the envisaged goals; and (ii) in case of a composition with creditors on a going concern basis (*in continuità aziendale*), compliance of the proposal with applicable provisions of law (*ritualità*). The proposal for *concordato* with going concern is, in any case, not admissible if the plan is manifestly unfit to satisfy the creditors as proposed by the debtor and to preserve the company's going concern value (*valori aziendali*).

If the court determines that the *concordato* proposal is admissible, *inter alia*, it appoints a delegated judge (*giudice delegato*) to supervise the procedure, appoints (or confirms, as the case may be) one or more judicial commissioners (*commissari giudiziali*) and schedules a specific period of time during which creditors can express their vote.

During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial commissioners and judge (who will authorize all transactions that exceed the ordinary course of business). Furthermore, up until the homologation of the proceeding, the debtor cannot make any payments of debts arisen before the opening of the proceeding itself, unless they have been specifically approved by the delegated judge.

Pursuant to the Insolvency Code: (i) one or more creditors (except for individuals or entities controlled, controlling or under common control of the debtor), representing at least 10% of the aggregate claims resulting from the updated accounts of the debtor filed with the courts; and (ii) shareholders representing at least 10% of the company's share capital, may file a *concordato preventivo* proposal competing with the debtors' proposal (*proposta concorrente*) – within 30 days before the starting of the voting process – subject to certain conditions being met, including, in particular, that the proposal of the debtor does not envisages the payment of at least 30% of the unsecured claims (such threshold is reduced to 20% in case the debtor had priorly and successfully started a negotiated crisis composition proceeding (*composizione negoziata*)).

Furthermore, pursuant to article 91 of the Insolvency Code, if the *concordato* plan, includes an offer for the sale of the debtor's assets or the sale of a going concern of the debtor to an identified third party, the court or the delegated judge shall order that for appropriate publicity to be given to the offer itself in order to acquire competing offers (*offerte concorrenti*). If expressions of interest are received, the court or the delegated judge, by decree, shall order the opening of the competitive proceeding. Furthermore, the abovementioned decree establishes the procedures for the submission of irrevocable offers, providing that in all cases, among others, the following is ensured: (i) their comparability; (ii) the requirements for the participation of the bidders; (c) the forms and timing of access to relevant information; (iii) any limits on their use; (iv) the modalities according to which the judicial commissioner must provide them to those who request them; (v) the modalities according to which the competitive procedure is to be conducted, (vi) the minimum increase in the consideration to be provided by the subsequent offers; (h) the guarantees to be given by the bidders; (vii) the forms of publicity, and (viii) the date of the hearing for the evaluation of the bids, if the sale takes place before the judge. With the sale or with the assignment, if earlier, to a person other than the original bidder identified in the plan, the latter and the debtor are released from their obligations towards each other and accordingly the debtor shall amend the proposal and plan in accordance with the outcome of the competitive proceeding.

As a general rule, the *concordato preventivo* is voted on within the period of time scheduled by the court and must be approved with the favourable vote of (i) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, or (ii) the majority of the receivables admitted to vote is reached the majority of the classes. Pursuant to article 109, paragraph 1, of the Insolvency Code, in case one creditor holds more than the majority of receivables admitted to voting, it is also necessary to reach majority by headcount (*maggioranza per teste*). The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favour of the proposal. Creditors who did not exercise their voting right will be deemed not to approve the *concordato* proposal.

Secured creditors are not entitled to vote on the *concordato* proposal unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. Among others, (i) the companies controlling the debtor, controlled by the debtor and those under the control of the entity controlling the debtor, (ii) the assignees of the claims of the entities under point (i), if the assignment has been perfected during the year preceding the *concordato* and (iii) creditors in conflict of interest are excluded from voting.

Differently from the general rules set out above, a composition with creditors on a going concern basis (*in continuità aziendale*) is approved with the positive vote of all the creditors' classes. In each class, the *concordato* is approved with the positive vote of creditors representing the majority of claims admitted voting or, if such threshold is not met, with the positive vote of creditors representing two-thirds of the claims of voting creditors, provided that creditors holding at least half of the total claims of the same class have voted. Secured creditors are not admitted voting if they are repaid in full (and in cash) within 180 days (reduced to 30 days for employees) after the homologation without any waiver to their security interests. If such requirements are not met, then secured creditors are entitled to vote. Without prejudice to the above, the Insolvency Code provides that composition with creditors on a going concern basis (*in continuità aziendale*) can be homologated by the Courts also in case it is not approved by all the classes upon certain specific conditions being met.

In addition to the above, subject to certain conditions, the *concordato* plan may provide for the creation of one or more classes of shareholders (it is possible to create more than one class of shareholders if the company's By-Laws – also, where the case may be, as modified in the frame of the *concordato* proceeding – provide for different rights of the shareholders). The creation of classes of shareholders is required by law (i) if the *concordato* plan provides for amendments which affect directly the shareholders' rights; and/or (ii) in case of listed/public companies (*società che fanno ricorso al mercato del capitale di rischio*).

If one or more classes of shareholders have been provided, shareholders are entitled to vote in the form and within the time limits provided for the vote by creditors. Within their respective class, the relevant shareholder is entitled to vote proportionally to the portion of equity held before the *concordato* filing. If a shareholder does not vote within the relevant deadline, it is deemed as having voted in favour.

If *concordato* competing proposal (*proposte concorrenti*) have been filed by one or more creditors, they will be subject to the vote by creditors as well. The winning proposal is that which results in the highest majority of positive votes and, in the event of a tie, the debtor's proposal prevails against a creditor's, while a creditor's proposal will prevail over the one of another creditor if it has been filed before. In the event that none of the proposals achieves the required number of votes as described above, the judge shall re-submit to vote the proposal which obtained the highest majority.

Please note that the delegated judge may provisionally admit (in whole or in part) to the voting session creditors of disputed claims for the sole purpose of the vote on the *concordato* proposal and of the calculation of the relevant majorities. Excluded creditors shall have the right to oppose such decision by submission of a specific filing in the context of the homologation by the court, in any case, only if their participation in the voting session may have affected the calculation of the relevant majorities.

Once the *concordato preventivo* has been approved by creditors, the Court sets the date for the hearing aimed at the Court's formal homologation (*omologazione*) of the *concordato preventivo* and then the debtor notifies the relevant parties. At least 10 (ten) days before the date of the homologation hearing, any dissenting creditor and/or any third-party interested in doing so can file a challenge/appeal ("*opposizione*") against the proposed homologation of the composition with creditors proceeding. In case no challenges (*opposizioni*) are filed, the court shall homologate the *concordato* after verifying *(i)* the regularity of the *concordato* proceeding; *(ii)* the outcome of the creditors' vote; *(iii)* the admissibility of the proposal; *(iv)* the proper creation of the classes of creditors; and *(v)* the equal treatment of creditors within each class. In addition, in case of a *concordato* with going concern, the court shall verify that all classes have voted in favour of the proposal, the plan has reasonable prospects of preventing or overcoming insolvency, and any new financing is necessary to implement the plan and does not unfairly prejudice the interests of creditors. In any other case, the court shall verify the feasibility of the plan (*i.e.* the plan not being manifestly unfit to achieve the stated objectives).

Furthermore, in case of a *concordato* with going concern, if one or more classes are dissenting, the court, upon request of the debtor (or, in case of a competing *concordato* proposal, with the consent of the debtor) may homologate the *concordato* anyway, if the following conditions are jointly met: (i) the liquidation value is distributed in accordance with the ranking of each claim (absolute priority rule); (ii) the resources arising from the going concern exceeding the liquidation value are distributed in such a way that the claims included in the dissenting classes receive overall treatment at least equal to that of the classes of the same ranking and more favourable than that of the classes of lower ranking (relative priority rule); (iii) no creditor receives more than the amount of their claim; and (iv) the proposal is approved by the majority of the classes, provided that at least one of them consists of secured creditors or, failing that, the proposal is approved by at least one class of creditors which would be at least partially satisfied based on the respective ranking of the claims even on the value exceeding the liquidation value.

Moreover, pursuant to article 88 of the Insolvency Code, if the debtor made a proposal for "*transazione fiscale*" to Tax Authorities/Social Security Authorities under the Insolvency Code, the courts can homologate the *concordato* also without the consent of such creditors when their consent is required for achieving the applicable majorities, provided that the expert's report certifies that the proposal made by the debtor to such creditor is more convenient than a liquidation *scenario*.

In case of challenges against the homologation, the Court shall decide and rule upon each of the challenges. In case the Court **rejects** all challenges and has no additional remarks, then it will issue the homologation decree.

Article 112 of the Insolvency Code provides for a "cram-down" mechanism whereby:

(i) in case of a composition with creditors on a going concern basis (*in continuità aziendale*)**,** if a creditor challenges the "convenience" of the *concordato* proposal, the court can homologate the *concordato* only if it deems that the relevant claim will be satisfied for an amount not lower than the amount that would be paid in the frame of a judicial liquidation;

(ii) in all other cases, the court can homologate a *concordato preventivo* petition challenged by (i) a creditor which is a member of a "dissenting class" of creditors; or (ii) in case there are no classes of creditors, by creditors representing 20% of the claims admitted to vote, to the extent that (a) such challenge(s) are about the "convenience" of the *concordato* proposal; and (b) the court deems that the relevant claim will be satisfied for an amount not lower than the amount that would be paid in the frame of a judicial liquidation.

In addition, if the plan provides that pre-existing shareholders would benefit from the so-called "restructuring value", then *concordato* can be homologated if one or more classes of creditors are dissenting, to the extent that the recovery of each dissenting class is at least equal to the recovery of other classes having the same ranking and more favourable than the recovery proposed to classes ranking junior, even if the restructuring value reserved to the shareholders were to be applied to such classes. According to the Insolvency Code, the "restructuring value reserved to shareholders" means the effective value of the shareholders' stakes into the company following the homologation of the proposal, net of any contributions/injections made by the shareholders for the purposes of the restructuring. Shareholders can challenge the homologation if the latter is prejudicial to them compared to a liquidation *scenario*.

If the composition with creditors provides for the liquidation of the debtor's assets, the court, if homologates the *concordato*, appoints one or more liquidators in order to execute the approved plan if it has to be realized by way of a transfer of assets. The court may grant special powers to the commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

If the court does not homologate the *concordato,* it might open judicial liquidation of the company only if there are pending petitions in such respect.

The terms and the performance of the outstanding contracts which have been entered into, from time to time, by the debtor are not automatically affected by the *concordato preventivo* proceeding and normally continue pending the procedure, any agreement to the contrary being ineffective. However, pursuant to article 97 of the Insolvency Code, the debtor may request the Courts to either terminate or suspend the effectiveness of such pending agreements (save for certain exceptions: for instance, employment contracts cannot be suspended nor terminated) in case the continuation of the agreement is not in line with the plan nor functional to its implementation. Please note that termination can be requested only if *concordato* plan and proposal have already been filed before the

Courts. In such circumstances, the counterparty shall be entitled to an indemnity equal to the damages suffered because of the termination or suspension of the contract. Such indemnity shall be considered as an unsecured claim arisen before the *concordato* proceeding, without prejudice, however, to the super-senior ranking of those claims arisen because of transactions legally carried out after the publication of the *concordato* petition in the Companies' Register (and before the notification of the suspension/termination petition).

Specific rules are provided in relation to the termination of financial lease agreements and pending facilities agreements. In such latter respect, para. 14 of article 97 of the Insolvency Code states that, upon termination of a facility agreement, the lender is entitled to cash-in and retain the amounts paid by company's debtors up until repayment in full of the advances disbursed by the lender to the company in the period between (i) the date falling 120 days before *concordato* filing; and (ii) the date on which the petition for termination of the agreement has been notified to the lender.

In addition to all the above, article 95 of the Insolvency Code clarifies that pending contracts with Italian Public Authorities are not terminated as a result of *concordato* filing and any contrary provisions are ineffective; such contracts continue to be effective if the third-party independent expert certifies that such contracts are consistent with the plan (if already drafted) and that the company is reasonably able to fulfil them. If the composition with creditors on a going concern basis (*in continuità aziendale*), the expert shall also attest that the continuation of such contracts is necessary to achieve the best liquidation of the company's business unit (*migliore liquidazione dell'azienda in esercizio*). After *concordato* filing, the company can participate in public tender processes with the prior authorization of the Courts and upon meeting certain requirements set out under the Insolvency Code (including filing of a third-party expert report in such respect).

Pursuant to article 89 of the Insolvency Code, the rules governing the loss and reduction of the share capital set forth in the Italian Civil Code do not apply to Italian companies during the period from the date of filing of *concordato* application until the date of its homologation. During such period, moreover, the rule according to which a company shall be wound up in case of reduction or loss of the share capital, does not apply. Nevertheless, during the period preceding the filing of the *concordato* application, article 2486 of the Italian Civil Code – providing for the powers and duties of the directors after the occurrence of an event of dissolution of the company – will be applicable

For the analysis of the rules regulating the new financial resources please see the specific section under paragraph "*Available financing forms under the Insolvency Code*" below.

Pursuant to articles 119 and 120 of the Insolvency Code, in the event of a breach of the composition with creditors plan or fraud, provided that the relevant requirements are met, the *concordato* can be terminated or annulled, as the case may be, upon petition of one or more of the creditors; the judicial liquidation may follow. *Concordato preventivo* is mandatory for all creditors prior to the publication of the application in the companies' register. However, creditors retain without prejudice their rights against co-debtors and guarantors of the debtor.

In case of non-minor breaches, the *concordato* may be terminated by each of the creditors or the judicial commissioner (in case of petition by one or more of the creditors). The relevant lawsuit must be brought within one year from the deadline originally scheduled for the last activity to be carried out under the *concordato* itself. The *concordato* may also be annulled upon request of the judicial commissioner or of one or more creditors in case a portion of the assets of the debtor has been concealed or the liabilities have been wilfully exaggerated. The relevant lawsuit must be brought within six months from the discovery of the concealment/exaggeration and, in any event, within two years from the deadline originally scheduled for the last activity to be carried out under the *concordato* itself.

Finally, please note that articles 284 and followings of the Insolvency Code provide for composition with creditors group-proceedings. More precisely, if more companies (having their centre of main interests in Italy) belonging to the same group are facing a situation of crisis or insolvency they can make a single application for composition with creditors proceeding, including a single *concordato* plan or multiple connected plans. Assets and liabilities of each group company shall be assessed on a single-entity basis. In such case, the legal framework of composition with creditors group-proceedings is the same applicable to the ordinary type, save for certain specific rules/exceptions, among which, *inter alia*: (i) the *concordato* petition shall specify the reasons why a group proceeding is more convenient for creditors than single and separate proceedings; (ii) the *concordato* petition and the plan/plans must include certain additional information, mainly relating to group structure, intercompany relationships, etc.; (iii) the plan(s) must ensure the restructuring of each group company and must be certified by the third-party expert. The expert's report shall also confirm that the group-proceeding is more convenient for creditors than separate proceedings; (iv) the plan(s) might provide both for the continuation of certain business activities and the liquidation of others. The proceeding qualifies as composition with creditors on a going concern basis (*in continuità aziendale*) whenever the proceeds arising from the continuation of business exceed the proceeds arising from the liquidation of assets; and (v) certain specific rules in relation to the voting phase and homologation phase of the proceeding apply.

Negotiated crisis composition procedure (composizione negoziata per la crisi di impresa) under the Insolvency Code

The negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) was originally introduced in the Italian legal framework by Decree 118/2021 and has been subsequently incorporated into the Insolvency Code. It consists of a negotiated and out-of-court tool applicable to both commercial enterprises (*imprenditori commerciali*) and agricultural enterprises (*imprenditori agricoli*), which are undergoing a distressed situation with reference to their assets, their business and/or their financial situation, such that it is likely that a distress/crisis or insolvency will follow. Therefore it a tool aiming at anticipating further deterioration of the debtor's situation.

Without prejudice to the above, the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to article 18 of the Insolvency Code requesting the competent court to confirm or modify the protective measures provided for pursuant to the same provision on the same day as the publication of the request in the relevant companies' register and the acceptance of the expert, and, if necessary, to enact the interim measures necessary to complete the negotiations, and (ii) when the entrepreneur files a petition asking the court to authorize certain acts in line with the provisions set forth under article 22 of the Insolvency Code.

Pursuant to article 17 of the Insolvency Code, the entrepreneur or the enterprise filing for a negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*), *inter alia*, shall certify that no judicial liquidation proceedings or similar proceedings are pending towards itself nor requests for the admission to the procedures provided for under articles 40 of the Insolvency Code, including pursuant to articles 44, para. 1, letter (a) and 54, para. 3, have been previously filed. In the event that the petition for a negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) is dismissed (*arhiviata*) shall not submit a new request before one year has elapsed after dismissal (the term is reduced, for one time only, to four months if such dismissal is requested by the entrepreneur within two months starting from the acceptance of the expert).

The negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) is commenced on a voluntary basis only, filing of a petition for the appointment of a third party and independent expert to the Secretary General of the relevant Chamber of Commerce by way of a dedicated electronic platform and the expert is appointed within five days upon the filing of the request. Pursuant to the Insolvency Code, the person to be appointed as expert shall not have or maintain professional relations with the entrepreneur during the two years following the termination of the negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*). The petition cannot be filed pending a procedure for over-indebtedness restructuring agreement or liquidation of assets pursuant to articles 7 and 14-ter of Law no. 3/2012 (*procedimenti di composizione della crisi da sovraindebitamento e di liquidazione del patrimonio*). The expert is responsible for facilitating and managing the negotiations between the company, its creditors and any other interested parties, in order to identify a solution to overcome the crisis or the insolvency, including through the transfer of the business or a branch thereof.

The expert assesses his/her own independence, the adequacy of his/her own professional expertise and his/ her own time availability with respect to the prospected assignment, and, if the outcome of the assessment is positive, notifies his/her acceptance to the entrepreneur and uploads it on the dedicated electronic platform. If the expert accepts the appointment, he/she meets with the entrepreneur in order to assess whether there are concrete and real chances of recovery. The entrepreneur attends the meeting personally, and can be assisted by its advisors.

If the expert finds that there are concrete and real chances of recovery, he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another.

During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations. The entrepreneur must provide a complete and clear representation of his/her situation and manage his/her assets without causing unfair prejudice to the creditors. Banks and financial intermediaries, their agents, and, in case of credit assignment and/or transfer, their assignees or transferees, must take part in the negotiations actively and in an informed manner. The access to the composition procedure (*composizione negoziata per la crisi di impresa*) does not, by itself, constitute ground for withdrawal of overdraft facilities. Specific provisions apply to negotiations involving employment contracts.

If the expert finds that there are no real chances of recovery, after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the Secretary General of the Chamber of Commerce, which provides for the dismissal of the entrepreneur's petition. The negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) shall not exceed 180 days, subject to a possible extension of additional 180 days upon certain requirements. More specifically, the expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the expert) for overcoming the entrepreneur's distressed situation. However, the expert's appointment can continue up to further 180 days if (i) all the parties involved in the negotiations require so and the expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to article 19 and/ or article 22 of the Insolvency Code.

At the end of his/her appointment the expert issues a final report, to be uploaded it on the platform, and notifies it to the entrepreneur and to the court that has granted the protective measures and interim measures (if any) which declares the termination of their related effects.

Pursuant to article 18 of the Insolvency Code, together with the petition for appointment of the expert, or with a subsequent petition, the entrepreneur can request the application of protective measures, which may also be limited, upon entrepreneur request, to certain creditors' claims or to a specific category of creditors. If the protective measures are granted, from the date of publication of the relevant petition, pre-existing creditors cannot obtain pre-emption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions are stayed. However, please note that, differently from what it is provided under the Insolvency Code for the composition with creditors proceeding (*concordato preventivo*), payment of pre-existing creditors is not forbidden. The protective measures do not apply to employees' claims.

Starting from the date of publication of the petition requesting the application of the protective measures until the date of conclusion of the negotiations or dismissal of the petition for the negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*), the judgement of opening the judicial liquidation (*sentenza di apertura della liquidazione giudiziale*) or the declaration of the insolvency of the entrepreneur cannot be declared insolvent by the court, provided that the court revokes the protective measures.

The creditors whose rights are affected by the protective measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the protective measures. However, the creditors may suspend the fulfilment of the pending contracts from the publication of the petition requesting protective measures to the obtainment of such protective measures.

If the entrepreneur applies for the protective measures, it must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the protective measures will be ineffective.

The duration of the protective measures and, if necessary, the interim measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days, given that the judge may discretionary order the revocation of such protective measures or shorten their duration.

Pending the negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*), there is no dispossession: the entrepreneur remains able to continue the ordinary and extraordinary management of the company, subject to certain conditions. More precisely, pursuant to article 21 of the Insolvency Code, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity. Upon written notice to the expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore acts, payments, and guarantees/security interests carried out by the entrepreneur after the appointment of the expert under the negotiated crisis composition procedure (*composizione* *negoziata per la crisi di impresa*) are not subject to claw-back action under article 166, para. 2 of the Insolvency Code, if they are consistent with the status of the negotiations and the recovery perspectives of the company. If during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities. If the expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the expert, who may file his/her dissent for the registration with the companies' register. At the request of the entrepreneur, one or more creditors or the expert, the court that has granted the protective measures and/or interim measures may, at any time, revoke such measures or reduce their duration when they do not meet the aim of ensuring the positive outcome of the negotiations or they appear disproportionate in relation to the prejudice caused to the creditors. If the protective measures are revoked, the rule relating to the prohibition of the obtainment of pre-emption rights by pre-existing creditors ceases to be effective for the date on which the protective measure has been revoked.

Upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, the court may authorize: (i) the entrepreneur or one or more companies belonging to the same group to incur new super-senior indebtedness (*prededucibile*) pursuant to article 6 of the Insolvency Code; (ii) the entrepreneur to incur new super-senior indebtedness (*prededucibile*) by virtue of shareholders' financing pursuant to article 6 of the Insolvency Code; and (iii) the entrepreneur to transfer its business, or certain business branches, without the effects provided under article 2560, para. 2, of the Italian Civil Code, without prejudice to article 2112 of the Civil Code, identifying the appropriate measures to protect all the interests involved, taking also into account the requests of the parties concerned. The court shall also verify the compliance with the competitiveness principle (*principio di competitività*) in the selection of the purchaser.

Pursuant to article 23 of the Insolvency Code, if a suitable solution to overcome the entrepreneur's difficulties has been found, the negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) can terminate by means of:

(i) the execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under article 25-bis, para. 1 of the Insolvency Code if, according to the expert's final report, such agreement ensures the continuation of the business as a going concern for at least 2 years;

(ii) the execution of a standstill agreement (*convenzione di moratoria*) pursuant to article 62 of the Insolvency Code;

(iii) the execution of an agreement signed by the entrepreneur, by the creditors and by the expert, with the effects provided under articles 166, paragraph 3, lett. (d) and 324 of the Insolvency Code. With such agreement the expert acknowledges that the reorganization plan (*piano di risanamento*) seems to be consistent with the composition of the insolvency and crisis of the entrepreneur.

If, at the end of the negotiations, none of the above mentioned solution has been elected, the entrepreneur may, alternatively:

(i) draft a certified restructuring plan (*piano attestato di risanamento*) pursuant to article 56 of the Insolvency Code;

(ii) file a petition requesting the homologation of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to articles 57, 60 and 61 of the Insolvency Code. The percentage referred to under article 61, para. 2, letter (c) of the Insolvency Code is reduced to 60% if the achievement of the agreement results from the final report of the expert;

(iii) file a petition for the simplified composition with creditors proceeding for the liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*) (please see the paragraph "*Simplified composition with creditors proceeding for the liquidation of assets (concordato semplificato per la liquidazione del patrimonio) under the Insolvency Code*" below;

(iv) access to one of the proceedings/tools provided under the Insolvency Code or in the Decree 270 or in the Decree 347.

Furthermore, pursuant to article 24 of the Insolvency Code:

(i) the acts authorized by the court pursuant to article 22 of the Insolvency Code shall maintain their effects in the event of the subsequent occurrence of an homologated debt-restructuring agreement (*accordo di ristrutturazione dei debiti omlogato*), an homologated composition with creditors proceeding (*concordato preventivo omologato*), an homologated restructuring plan pursuant to article 64-bis of Insolvency Code (*piano di ristrutturazione omologato*), the opening of the judicial liquidation (*liquidazione giudiziale*), the compulsory administrative liquidation (*liquidazione coatta amministrativa*), the extraordinary administration (*amministrazione straordinaria*) or the simplified composition with creditors proceeding for the liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*);

(ii) the transactions, the payments and the granting of security interests carried out by the entrepreneur after the acceptance by the expert of his/her appointment, are exempted from claw-back actions pursuant to article 166, para. 2, of the Insolvency Code, if they are consistent with the development and the status of the negotiations and with the perspectives of recovery in place at the time the transaction/payments/granting of security interest was made; and

(iii) the extraordinary transactions and payment made after the acceptance by the expert of his/her appointment are in any case subject to claw-back actions pursuant to article 165 and article 166 of the Insolvency Code if the expert has registered his/her dissent in the companies' register pursuant to article 21, para. 4 of the Insolvency Code or if the competent court has denied its authorization pursuant to article 22 of the Insolvency Code.

In addition, payment and transactions carried out after the acceptance by the expert of his/her accepted its appointment, which the expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery of the enterprise, or which have been authorized by the court pursuant to article 22 of the Insolvency Code , benefit of exemptions from the potential application of certain criminal sanctions.

Pursuant to article 25 of the Insolvency Code, the negotiated crisis composition procedure (*composizione negoziata per la crisi di impresa*) may also apply to group of companies, which may commence one proceeding all together. At the end of the negotiations, the companies belonging to the same group may either entering into one of the agreements provided under in article 23, para. 1 of the Insolvency Code as a group, or access to one of the tools provided under article 23 of the Insolvency Code, both separately or as a whole group.

Simplified composition with creditors proceeding for the liquidation of assets (concordato semplificato per la liquidazione del patrimonio) under the Insolvency Code

Simplified composition with creditors proceeding for liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*) is a particular type of composition with creditors proceeding (*concordato preventivo*) available only for those companies which (i) had first made access to composition procedure (*composizione negoziata per la crisi di impresa*); and (ii) as certified by the expert under the composition procedure (*composizione negoziata per la crisi di impresa*), notwithstanding the negotiations in good faith with creditors could not achieve a positive outcome.

Simplified composition with creditors proceeding for liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*) – which has merely liquidation purposes – has originally been introduced in the Italian legal framework by Decree 118/2021 and has been subsequently incorporated into the Insolvency Code.

If, in its final report, the expert states that the negotiations did not have a positive outcome but have been conducted according to fairness and in good faith, and that the options provided under article 23, para. 1 and 2, letter (b) of the Insolvency Code are not feasible, within 60 days following the notification of the final report the entrepreneur may file, with the competent court of the place where the company has its registered office, a petition for admission to the simplified composition with creditors proceeding for liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*), a *concordato* proposal providing for the liquidation of the assets together with the liquidation plan and the documents provided under article 39 of the Insolvency Code. The proposal may provide for the division of the creditors into different classes.

The petition for the simplified composition with creditors proceeding for liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*) is communicated to the public prosecutor and published with the companies' register within the day following the date of the filing with the court. From the date of such publication, the effects provided under articles 6, 46, 94 and 96 of the Insolvency Code apply.

Upon the filing of the application, the court (i) appoints a so-called "auxiliary" (*ausiliario*) to, inter alia, express an opinion on the entrepreneur's proposal; (ii) orders that the proposal, together with the opinion of the auxiliary and the final report of the expert, be delivered by the debtor to the creditors appearing on the list filed by the debtor itself; and (iii) sets the date of the hearing for the homologation. Creditors and any third party which has any interests are entitled to object to the homologation within ten days before the date fixed for the hearing.

The court homologates the simplified composition with creditors proceeding for liquidation of assets (*concordato semplificato per la liquidazione del patrimonio*) when it verifies (i) the regularity of the adversarial principle among the parties (*contraddittorio*) and the proceeding; (ii) the compliance with the pre-emption rights (cause di *prelazione*); (iii) the feasibility of the liquidation plan, and finds that the proposal does not cause a prejudice to the creditors compared to what they would receive in case of judicial liquidation (*liquidazione giudiziale*) of the entrepreneur, and in any case ensures that each creditor receives a certain recovery. With the homologation decree, the court also appoints a liquidator.

The parties may challenge the homologation decree within 30 days after the notification of the same.
Pursuant to article 25-septies of the Insolvency Code, the liquidation plan may also include an offer by a pre-identified third party to transfer the business or one or more branches of the business or specific assets to such third party, even before the approval: in this case, the judicial liquidator, having verified the absence of better solutions on the market, may implement the offer.

Certified restructuring plans (piani attestati di risanamento) under article 56 of the Insolvency Code

Certified restructuring plans (*piani attestati di risanamento*) under article 56 of the Insolvency Code are out-of-court tools consisting of a restructuring plan addressed to creditors and prepared by debtors who are either insolvent or in a state of crisis, in order to permit the restructuring of the debtor's indebtedness and supporting the rebalancing of the debtor's financial condition, which shall be certified by a third-party independent expert appointed directly by the debtor and enrolled in the register of auditors and accounting experts (*Registro dei Revisori Contabili*). The independent expert – which must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company – must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

The certified restructuring plans (*piani attestati di risanamento*) are usually implemented by means of one or more agreements entered by the company with the relevant creditors/counterparties. Such agreements are merely private agreements and do not affect the right of creditors who are not a party to the agreement to enforce their claims, guarantees or securities. As such, there is no "automatic stay" by operation of law.

The reorganization plan must: (i) have a certain date; (ii) be in written form; (iii) have an analytical content with the specification, aimed at avoiding opportunistic or collusive conduct, that even unilateral acts or executive contracts must be proven in writing and must have a certain date. At the debtor's request the plan can be published in the commercial register (this would allow for certain tax benefits).

The certified restructuring plans (*piani attestati di risanamento*) and the relevant debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Also, no approval or consent by a specific majority of all outstanding claims are required.

The terms and conditions of these plans are freely negotiable, provided they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Article 56 of the Insolvency Code sets out the "minimum content" of the plan including, inter alia, indication of non-adhering creditors, the financial resources necessary to pay their claims at the relevant due dates as well as the causes of the crisis. Also, it must be supported by adequate documentation representing the financial and commercial situation of the debtor.

As expressly provided under article 166, paragraph 3, letter (d) of the Insolvency Code, should these plans fail, and the debtor be declared insolvent, the payments and/or acts carried out, and/or security interest granted on the debtor's assets for the implementation of the reorganization plan, subject to certain conditions, are not subject to any claw-back action (*azione revocatoria*), including the ordinary claw-back action provided for pursuant to article 2901 of the Italian Civil Code (*azione revocatoria*). Furthermore, they are exempted from the potential application of certain criminal sanctions.

There is no homologation by the court. The publication in the companies' register of the plan, the report of the independent expert and the agreement(s) is not mandatory and it is possible upon a debtor's request and would allow to certain tax benefits.

The Insolvency Law provides for specific rules regarding the protection against claw-back actions and potential civil and criminal responsibilities in relation to the transactions, the payments and the securities granted on debtor's assets carried out in the context of implementation of certified restructuring plans (*piani attestati di risanamento*) under article 56 of the Insolvency Code.

Debt-restructuring agreements (accordi di ristrutturazione dei debiti) under article 57 of the Insolvency Code and ff.

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the debtor's outstanding debts will not particularly change with the entry into force of the Code of Business Crisis and Insolvency. They still have to be ratified by the court and an independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the debtor. Moreover, such expert must also declare that the agreement is feasible and ensure that the debts of non-participating creditors can be fully satisfied within 120 days from: (i) the date the court ratifies the agreement, in the case of debts which are due and payable to non-participating creditors as of the date of the court sanctions the debt restructuring agreement (*omologazione*); and (ii) the date on which the relevant debts is due, in case of receivables which are not yet due and payable to non-participating creditors as of the date the court sanctions the debt restructuring agreement (*omologazione*). Only a debtor who is in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) or insolvent can initiate this process and request the court to sanction the debt restructuring agreement entered into with its creditors (*omologazione*).

More specifically, the independent expert, shall certify that the plan and the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) ensure that the indebtedness vis-à-vis non-adhering creditors can be fully satisfied within the following terms in a 120-day term from: (i) the date of homologation of debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the homologation; and (ii) the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-adhering creditors as at the date of the homologation of the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) by the court.

The debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) is published in the companies' register and becomes effective as of the day of its publication. Creditors and other interested parties may challenge the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) within 30 days from the publication of the same in the companies' register. After having decided on the opposition filed (if any), the court homologates the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) by issuing a decree, which can be appealed within 30 days of its publication pursuant to article 51 of the Insolvency Code.

The Insolvency Code does not expressly provide for any indications concerning the contents of the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*). The plan can therefore provide, inter alia, either for the debtor or a third party carrying out the business, or the sale of the business, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Pursuant to article 58, para. 1 of the Insolvency Code, in the event of substantial amendments to the plan before the approval, the report issued by the expert and the consent to the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) expressed by creditors shall be renewed. The report shall also be renewed in the event of substantial amendment. In the event of substantial amendments after the approval, the debtor shall make such amendments as are appropriate to ensure the implementation of the agreements, by requesting the update of the certified report issued by the expert having the requirements set forth in article 57, para. 4 of the Insolvency Code. In this case, the renewed certified report, together with the amended restructuring plan, shall be published in the companies' register, giving proper notice to the creditors by registered letter or via certified email. The parties may file an objection (*opposizione*) to the abovementioned decree within 30 days after having been notified of the same.

With the petition for the homologation of the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) by the competent court (or at any time pending the procedure) the debtor may request to be granted any protective measures (aimed at providing for the stay of actions or the creation by creditors of security interest, unless it is agreed in the debt restructuring agreement in relation to pre-existing debts, etc.). Such measures can also be requested (i) pursuant to article 54, para. 3 of the Insolvency Code, to the court by the debtor pending negotiations with creditors (i.e., prior to the filing of the petition for the homologation of the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*)), subject to certain conditions, or (ii) pursuant to article 44 of the Insolvency Code, together with a "simplified application" for the access to one of the restructuring tools provided for by the Insolvency Code. According to article 54, para. 2, of the Insolvency Code, provided that the petition for the homologation of the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) includes the relevant request for measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue the enforcement and the conservative actions (or, in any event, to take any initiatives prohibited under the relevant measures).

It is a court-supervised proceeding which does not provide for the dispossession of debtor; however, the court may appoint a judicial commissioner to oversee the proceedings and must do so in case petitions for the opening of judicial liquidation (*liquidazione giudiziale*) are pending, when it is necessary for the protection of the parties who filed such petitions. Creditors entering into the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) are not required to receive the same treatment (i.e., they are free to reject the proposal and to protect their interests otherwise) and no cram-down is applicable to third-party non-adhering creditors, which shall be fully re-paid within the relevant deadlines outlined above.

The court, having verified the completeness of the documentation filed by the debtor, fixes the date for a hearing to be held no earlier of 15 days from the notification of the relevant filing. Pending such deadline, creditors and other interested parties may file an opposition to the homologation. At such hearing, the court decides upon any opposition and assesses whether the conditions for the approval are met.

Without prejudice to all the above, articles 60, 61 and 62 of the Insolvency Code provide for the following additional types of debt-restructuring agreement (*accordo di ristrutturazione dei debiti*).

First, article 60 of the Insolvency Code provides for the so called facilitated debt-restructuring agreement ("*accordi di ristrutturazione agevolati*"). Such proceeding, is a particular kind of debt restructuring agreement which may be entered into with creditors representing as little as 30% of the total indebtedness (instead of the 60% generally required under article 57, para. 1, of the Insolvency Code) provided that the debtor: (i) does not propose the standstill on the payment of non-adhering creditors; and (ii) has not previously requested (and waives to request) to the court the granting of protective interim measures on the its assets.

Pursuant to the article 61 of the Insolvency Code, debtors are entitled to enter into debt-restructuring agreement by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their status and economic interests) and can request the court to declare that agreement binding on the non-adhering creditors belonging to the same category (so called "cram down").

More in detail, debt-restructuring agreement with extended effects (*accordi di ristrutturazione ad efficacia estesa*) under article 61 of the Insolvency Code – which were previously only permitted in relation to debts owed to banks and financial intermediaries where such debts represented at least 50% of the total indebtedness – can now be applied to any category of creditors, provided that, inter alia: (i) all the creditors belonging to the same category have been informed of the start of the negotiations and have been able to participate in them in good faith and have received complete and up-to-date information on the debtor's assets, economic and financial situation as well as on the restructuring agreement and its effects; (ii) the agreement provides for the continuation of the business activity either directly or indirectly pursuant to article 84 of the Insolvency Code; (iii) the claims of the consenting creditors belonging to a same category represent at least 75% of all the claims belonging to the same category; (iv) the non-adhering creditors belonging to the same category to which the effects of the agreement are extended can be satisfied under the agreement for an amount not lower than the amount they would receive with the judicial liquidation being understood that a creditor may hold claims in more than one category; and (v) the debtor has notified the agreement, the application for court approval and the documents attached thereto to the creditors to be crammed down. The percentage of 75% is lowered to 60% if the debt restructuring agreement is referred to in the final report issued by the expert at the end of the negotiations pertaining to the negotiated crisis composition procedure (*composizione negoziata per la soluzione della crisi d'impresa*).

Moreover, pursuant to para. 5 of article 61 of the Insolvency Code, if a debtor whose financial indebtedness is at least 50% of their total indebtedness, debt-restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such case, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, the rights of creditors who are not banks or financial intermediaries remain valid.

Pursuant to the article 62 of the Insolvency Code, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and its creditors representing 75% of the same class would is also binding over the non-adhering creditors, provided that (i) certain conditions are met, such as, inter alia, (a) all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations, have been made able to participate in the negotiations and have received complete and up-to-date information on the debtor's assets, economic and financial situation and on the agreement and its related effects; (b) the claims of the adhering creditors belonging to the same categories represent 75% of all the creditors of the same class; and (c) there is a real prospect that the non-adhering creditors of the same category, to whom the effects of the agreement are extended, may be satisfied at the outcome of the agreement to an extent not less than in the judicial liquidation; and (ii) an independent expert certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the meeting of the condition under (i)(c) above (i.e. the fact that the treatment reserved to non-adhering creditors is at least equal to the one they could obtain in the context of a judicial liquidation).

Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after the notification of the same.

In no case debt restructuring agreements provided for under article 61 of the Insolvency Code and standstill agreements provided under article 62 of the Insolvency Code may impose on the non-adhering creditors, inter alia, performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

By virtue of article 59 of the Insolvency Code, article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt-restructuring agreements. Non-participating creditors maintain their claims towards (i) those who are jointly and severally liable with the debtor, (ii) the debtor's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, provided that, if such shareholders have granted guarantees, they will remain liable as guarantors.

For the analysis of the rules provided under article 99 of the Insolvency Code – which applies to both debt-restructuring agreements (*accordi di ristrutturazione dei debiti*) and to the composition with creditors proceedings (*concordati preventivi*) – regulating the supersenior financings authorised before the homologation of a debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) and a composition with creditors proceeding (*concordato preventivo*) please see the specific section under paragraph "*Available financing forms under the Insolvency Code*" below.

Restructuring plans subject to homologation (piani di ristrutturazione soggetti a omologazione) under article 64-bis of the Insolvency Code

The restructuring plans subject to homologation (piani di ristrutturazione soggetti a omologazione) under articles 64-bis and 64-ter of the Insolvency Code constitute a novelty in the business and crisis and insolvency legal framework. Pursuant to this new tool, which is available to debtors which are insolvent or are facing a state of crisis, the distribution rules of regular insolvency proceedings can be disregarded, can be enacted provided that certain strict requirements are met.

More precisely, by virtue of this instrument, pursuant to which the creditors must be divided into classes according to homogeneous legal positions and economic interests, the debtor may distribute to the creditors the value generated by the plan even in derogation of the provisions governing the ranking/statutory order of claims (principle of "*par condicio creditorum*"), provided that the proposal is approved by unanimous consent of the classes.

The restructuring plans subject to homologation (*piani di ristrutturazione soggetti a omologazione*) shall provide for payment in full, by means of cash, of claims secured by the privilege under article 2751-bis no. 1 of the Civil Code (i.e., salaries) within 30 days of homologation and must be certified, as to the truthfulness of the company data and the feasibility of the plan, by an independent professional meeting the requirements of the Insolvency Code.

The debtor shall file the restructuring plans subject to homologation (*piani di ristrutturazione soggetti a omologazione*) before the courts together with all relevant documents provided under the Insolvency Code. The court shall assess the regular filing and the correctness of the criteria for the formation of the classes: in this case, the courts appoint the judicial commissioner, the delegated judge and set the deadlines for the creditors to vote. The following phase must follow the steps of the common framework applicable to all restructuring tools and frameworks (i.e. composition with creditors proceeding (*concordato preventivo*), debt-restructuring agreement (*accordi di ristrutturazione dei debiti*) and judicial liquidation (*liquidazione giudiziale*)).

From the date of filing of the petition until the homologation, the entrepreneur maintains the ordinary and extraordinary management of the company in the prevailing interest of the creditors under the supervision of the judicial commissioner.

There is no "automatic stay": nevertheless, the debtor can file a specific request for the application of the stay of action, to stop/block enforcement and/or pre-cautionary actions by creditors over its assets up until the homologation of the agreement (and such request can be filed also pending the negotiations for the debt-restructuring agreement (*accordo di ristrutturazione dei* debiti)). Final decision on such request (which is provisionally effective) shall be taken by the competent courts and the length of such stay of action period is for maximum 4 months (subject to extensions under certain circumstances, in any case not exceeding an overall period of 12 months). During the stay-of-action period the judicial liquidation (*liquidazione giudiziale*) cannot be opened by the courts.

In each class, the proposal is approved if a majority of the claims allowed to vote is reached or, failing that, if two-thirds of the claims of the voting creditors have voted in favour, provided that creditors holding at least half of the total claims of the same class have voted. Secured creditors are not admitted voting if they are repaid in full (by means of cash) within 180 days (reduced to 30 days for employees) after the homologation without any waiver to their security interests.

If the restructuring plan (*piano di ristrutturazione*) is not approved by all classes, the debtor, inter alia, may amend the application by making a proposal for a composition with creditors (*concordato preventivo*).

The court will homologate the restructuring plan (*piano di ristrutturazione*) in the event of approval by all classes. If a dissenting creditor objects to the proposal, the court will approve and homologate the restructuring plan if the proposal satisfies the claim to a not lesser extent than the one resulting from a judicial liquidation. A creditor that has not objected to the lack of convenience in its observations may not file an objection referred before, unless it proves such the lack of objection was due to a cause not attributable to it.

Against the judgment of the court ruling on the homologation of the restructuring plan subject to homologation (*piano di ristrutturazione soggetto a omologazione*), the parties may file an appeal before the competent court of appeal within the term of 30 days from the notification of the relevant judgement of the court.

Acts, payments, and guarantees/security interest on the debtor's assets carried out in execution of the homologated restructuring plans subject to homologation (*piani di ristrutturazione soggetti a omologazione*) and indicated therein are not subject to claw-back action pursuant to article 166 of the Insolvency Code.

Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria delle Grandi Imprese in Stato di Insolvenza) under the Decree 270

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis"* procedure under the Decree 270. To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. Insolvent companies, belonging to the group of a company that qualifies for the Prodi-bis Procedure, may be submitted to the latter, if certain conditions are met, also if they do not qualify per-se for the Prodi-bis Procedure. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for judicial winding-up proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

Judicial Phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into judicial winding-up.

Administrative Phase

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared insolvent.

Once the Extraordinary Administration procedure has been approved, the principal effects are as follows:

(i) the company continues to carry out its business and debts incurred during the Extraordinary Administration are treated as priority claims which rank ahead of the claims of creditors whose rights accrued prior to the commencement of the Extraordinary Administration procedure and may be paid as they fall due;

(ii) the Extraordinary Commissioner(s) is/are entitled to terminate pending contracts to which the company is a party.

Furthermore, in the context of the Prodi-bis Procedure a debt-restructuring plan is approved exclusively by the Minister of Economic Development but is not subject to any vote by creditors.

Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza) under the Decree 347

Introduced in 2003 pursuant to Law Decree No. 347 of 23 December 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*". It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company insolvent and open judicial winding-up proceedings.

A restructuring plan proposed in the context of proceedings subject to Decree 347 may include a composition plan, with the possibility to divide creditors into classes, with different treatment applicable to creditors belonging to different classes and with proposals for a write-off of any obligations owed by the debtor and/or a conversion of debt securities (such as the Notes) into shares of the debtor company or any of its group companies. Decree 347 provides that a composition plan is approved by creditors according to the same majority voting rules as those which apply in the context of proceedings for composition with creditors, as described above. If the restructuring plan is not approved by the Minister of Economic Development, the extraordinary commissioner(s) may propose a plan for the disposal of the assets. If the asset disposal program is not approved, the company is to be placed into liquidation.

Where Decree 134 applies to an extraordinary administration, its purpose is broadly to widen the powers of sale. For this purpose, the insolvency administrator is granted powers to identify and compose lines of business or partial lines of business, even if not pre-existing, which may be made subject to sale.

As a general consideration, please note that, pursuant to the claw-back rules applicable to extraordinary administration (i) the hardening period would be calculated with reference to the date of insolvency declaration; and (ii) as far as intercompany transactions only are concerned, longer hardening periods (i.e. 5 years or 3 years, depending on the kind of transactions) would be applicable.

Compulsory Administrative Winding-Up (Liquidazione Coatta Amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*), provided for pursuant to Article 293 and ff. of the Insolvency Code, is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to judicial liquidation proceedings, save for a different indication under Italian law. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company by the relevant governmental authority (*e.g.*, the Bank of Italy or the Ministry of Economic Development, which are competent for the filing of an application for a declaration of insolvency with the subsequent opening of the compulsory administrative winding-up proceeding). The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under insolvency proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for insolvency proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Common rules for pre-judicial liquidation restructuring frameworks (strumenti di regolazione della crisi e dell'insolvenza della società)

In order to facilitate access and filing of restructuring procedures by the Italian companies, Articles 120-*bis* and ff. of the Insolvency Code have been enacted, introducing a set of rules applicable to all pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*). Among other things, pursuant to Article 120-*bis*, paragraph 2 of the Insolvency Code and the purposes of a successful restructuring, the plan may provide for "*any modification of the articles of association of the debtor company, including capital increases and reductions, including with limitation or exclusion of the option right and other modifications that directly affect the shareholders' participation rights, as well as for mergers, demergers and transformations*". Shareholders, who may no longer have an interest in the company, are prevented from hindering the restructuring or even one of its stages. For this reason, pursuant to Article 120-*bis*, paragraphs 3 and 4 of the Insolvency Code, the shareholders, while retaining a right to information in relation to both the initiation and the progress of the restructuring process, may not remove the directors without just cause, as is the case for the statutory auditors of joint stock companies, also in light of the fact that under the provisions of the Insolvency Code it is not considered as being just cause for directors' removal, the filing for access to the pre- judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) when the related legal conditions and requirements are met. However, pursuant to Article 120-*bis*, paragraph 5, shareholders representing at least 10% of the filing company's corporate capital may make a competing proposal.

The plan may provide for the formation of one class of shareholders or several classes if there are shareholders to whom different rights are granted by the by-laws, including as a result of the changes provided for in the plan. The formation of classes is, however, mandatory if the plan provides for changes that directly affect the shareholders' participation rights and, in any case, for large companies and companies with widespread capital. In this context, special conditions for approval of the arrangement are set out pursuant to Article 120-*quater* of the Insolvency Code when and if the plan provides for shareholder attributions. Specific rules are then provided to ensure that creditors' interests are protected in all cases in which the restructuring tool envisages shareholders to retain a participation in the company with a certain value.

Article 120-*quinquies* of the Insolvency Code, regulates the execution phase of such measure. In order to avoid any obstructive attitude of the shareholders towards the approval of the restructuring tool, this provision expressly excludes the necessity for their approval and/or resolution on the implementation of such restructuring tool, by generally attributing the relevant powers to the directors or more specifically to the competent court, in relation to any amendment to the debtor's by-laws which - being specifically provided for by the plan - do not require any discretionary resolution. Finally, it is stipulated that changes in the corporate structure resulting from the implementation of a pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) shall not be considered as and constitute cause for the termination or amendment of any agreement entered into by the debtor with third parties.

Articles 284 and ff. of the Insolvency Code contain specific rules regarding (i) the access of a group to one of the pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'in solvenza*) aiming at unifying – to the extent possible – the relevant proceedings; (ii) liability lawsuits available to the receiver; and (iii) subordination of claims.

Available financing forms under the Insolvency Code

Please find below a brief summary of the main features of the provisions concerning different available financings under the Insolvency Code.

Interim financings – article 99, paragraphs from 1 to 4 of the Insolvency Code

Pursuant to article 99, para. 1 and 2, of the Insolvency Code, in the context of restructuring transactions on a going concern basis (*continuazione dell'attività aziendale*), also in cases in which business continuity is maintained exclusively in a view of liquidation, upon the debtor's request, the court, until the homologation of the debt-restructuring agreements (*accordi di ristrutturazione dei debiti*) (pursuant to article 57, or article 60 or 61 of the Insolvency Code) or a petition pursuant to article 87 of the Insolvency Code in relation to the composition with creditors proceeding (*concordato preventivo*), including in the case of a "simplified petition" pursuant to article 44 of the Insolvency Code, may authorize the debtor to be granted with new super-senior loans (*finanziamenti prededucibili*) and to secure such indebtedness, subject to the court's authorisation with in rem security (*garanzie reali*), or by assigning claims, provided that the petition specifies:

(i) the purpose of the financing;

(ii) that the debtor is unable to otherwise obtain the required funds; and

(iii) that the absence of such financing will entail an imminent and irreparable prejudice to the going concern or to the proceedings;

The petition shall be accompanied by the report of the expert appointed by the debtor in which he/her, having verified the overall financial needs of the company until the homologation, declares that the new loans are functional to the continuity of the business activities until the homologation of the relevant insolvency proceedings or to the opening of the proceedings or to conduct them and, in any case, are aimed at providing a better satisfaction of the rights of the creditors. The expert report is not necessary in case the court recognizes that there is the urgent need to avoid an imminent and irreparable prejudice to the going concern. In the event of the subsequent admission of the debtor to the judicial liquidation (*liquidazione giudiziale*), the aforementioned financings do not benefit from the super-senior priority (*prededucibilità*) in case the petition or the expert report contain false data or omit important information or in case the debtor performed acts in fraud of the creditors (*atti in frode ai creditori*) and the receiver proves that who made available such financings to the debtor, had knowledge of such circumstances at the date of the disbursement**.**

Bridge financings – article 99, para. 5 of the Insolvency Code

Pursuant to **article** 99, para. 5, of the Insolvency Code, loans (together with the related claims) granted, in any form, in view of the filing of a petition for the homologation of a debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) or a composition with creditors proceeding (*concordato preventivo*) (*finanza ponte*), may be rank super-senior (*prededucibili*) provided that (i) they meet the requirements of article 99, para. 1 and 2 (as outlined above), and (ii) they are provided under the relevant plan and provided that super-seniority (*prededucibilità*) is expressly provided for in the decree by means of which the court accepts the application for admission to the composition with creditors proceeding (*concordato preventivo*) or homologate the restructuring agreement (*accordo di ristrutturazoine*).

The indebtedness under such loans may be secured, subject to the court's authorization, with in rem security (*garanzie reali*), or by assigning claims.

Implementation financing – article 101 of the Insolvency Code

Pursuant to article 101 of the Insolvency Code, in the context of restructuring transactions on a going concern basis (*continuazione dell'attività aziendale*), any loan granted to the debtor as implementation of an homologated composition with creditors proceeding (*concordato preventivo*) or debt-restructuring agreement (*accordi di ristrutturazione dei debiti*) ranks super-senior (*prededucibile*) to the extent that they are expressly provided under the relevant plan providing for the continuation of the business activity.

In the event of the subsequent admission of the debtor to the judicial liquidation (*liquidazione giudiziale*), the abovementioned loans do not benefit from the super senior priority (*prededucibilità*) in case the plan of the composition with creditors proceeding (*concordato preventivo*) or of the debt-restructuring agreement (*accordo di ristritturazione*), on the basis of an assessment to be made at the time of the relevant filing, results to be based upon false data or omission of relevant information or in case the debtor performed acts in fraud of the creditors (*atti in frode ai creditori*) and the receiver proves that who made available such financings to the debtor, had knowledge of such circumstances at the date of the disbursement.

The shareholders' financing – article 102 of the Insolvency Code

Pursuant to article 102, para. 1 of the Insolvency Code, super-seniority (*prededucibilità*) is granted also for claims up to 80% of the value of shareholder loans that have been granted to the company in any form (including any guarantee facility or granting counter-indemnities) in implementation or in anticipation of a homologated composition with creditors proceeding (*concordato preventivo*) or debt-restructuring agreement (*accordo di ristrutturazione*) (also by way of derogation from the statutory subordination regime provided under the Italian Civil Code with respect to loans granted to limited liability companies by its shareholders or by entities that exercise direction and coordination activities).

According to para. 2 of article 102 of the Insolvency Code, if the lender become a shareholder only following the execution of the composition with creditors proceeding (*concordato preventivo*) or the debt-restructuring agreement (*accordo di ristrutturazione dei debiti*), the superior seniority will apply to the entire amount of the loan.

Super senior ranking – article 99 para. 6 and article 101 para. 2 of the Insolvency Code

Pursuant to article 6, para. 1 of the Insolvency Code, provided that the relevant requirements are met, the claims deriving from the bridge financings, interim financings and implementation financings are super-senior (*prededucibili*) by operation of law.

According to article 6, para. 2 of the Insolvency Code, the super-seniority (*prededucibilità*) continues in the context of any subsequent insolvency or enforcement proceedings.

In specific cases, the abovementioned loans may not rank super-senior in case of judicial liquidation, if, *inter alia*, the receiver proves that acts of fraud were committed by debtor.

More specifically, for interim financings or bridge financings false data or omission of relevant information are relevant when found by the court in the request for the incurrence of the financings or the attestation of the independent expert, whilst for implementation financings such elements are relevant when on included in plan underlying the composition with creditors or the debt restructuring agreement.

With reference to interim financings and bridge financings, article 99 para. 6 of the Insolvency Code provides that, in case of the opening of a judicial liquidation (*liquidazione giudiziale*), such financings (although authorized by the court in the context of the composition with creditors proceeding (*concordato preventivo*) or the debt-restructuring agreement (accordo *di ristrutturazione*)) do not benefit from super senior ranking when it is proved (jointly) that: (i) the request or the independent expert report contains false data or omits relevant information, or when the debtor has committed acts to defraud creditors in order to obtain the authorization; and (ii) the receiver proves that the lender, at the date of granting of the loan, was aware of the abovementioned circumstances.

With reference to implementation financings, article 101 para. 2 of the Insolvency Code provides that such loans do not benefit from the super-seniority (*prededucibilità*), in case of the opening of a judicial liquidation (*liquidazione giudiziale*) (alternatively): (i) when, based on an assessment to be made at the time of filing of the petition for the opening of the proceeding, the plan underlying the composition with creditors proceeding (*concordato preventivo*) or debt-restructuring agreement (*accordo di ristrutturazione dei debiti*) turns out to be based on false data or on the omission of relevant information; or (ii) when the debtor has carried out acts of fraud towards its creditors and the receiver proves that the lenders providing the loans were aware of such circumstances at the time of the establishment of the financings.

Adequate organizational, administrative and accounting corporate structures

One of the main novelties included in the Insolvency Code concerns the definition of the organizational, administrative and accounting structures of a company which are deemed to be adequate under Article 2086 of the Italian Civil Code, required by the applicable regulations for the purpose of timely detection of the state of crisis and the undertaking of suitable initiatives by the debtor. Article 3 of the Insolvency Code requires the entrepreneur to adopt an appropriate organizational structure in accordance with Article 2086 of the Italian Civil Code, for the purpose of timely detection of the crisis of the company as well as the timely undertaking of suitable initiatives to overcome the crisis and recover business continuity. However, neither the aforementioned Article 3, in its current wording, nor Article 2086 of the Italian Civil Code, as amended by the Insolvency Code, contains a precise description of the parameters, conditions and characteristics that are deemed to be necessary/needed for the definition and especially for the identification of "*adequate structures*".

In this regard, Article 3 of the Insolvency Code precisely enunciates, on the one hand, the purposes to which the measures and structures must aim in order to be considered as adequate for the timely detection of the crisis and, on the other hand, the relevant warning signs in relation to the same. In this respect, it is stipulated that, for the purpose of the timely detection of the company's state of crisis, the measures and structures deemed to be adequate should make it possible to:

(a) detect any imbalances of an equity or economic-financial nature, related to the specific characteristics of the company as well as to the business activity carried out by the debtor;

(b) verify the non-sustainability of debts and the absence of prospects for business continuity for the next twelve months as well as the warning signs identified by Article 3, paragraph 4 of the Insolvency Code; and

(c) derive the information necessary to follow the detailed checklist and conduct the practical test for the reasonable pursuit of the debtor's financial recovery.

For the sake of completeness and as set out above, it should also be noted that Article 3, paragraph 4 of the Insolvency Code provides an exact indication of the warning signs, identified, *inter alia*, as follows:

(a) the existence of payroll debts overdue for at least 30 days equal to more than half of the total monthly payroll amount;

(b) the existence of receivables owed to suppliers that are at least 90 days past due in an amount greater than the amount of receivables that are not past due;

(c) the existence of exposures to banks and other financial intermediaries that have been past due for more than 60 days or have exceeded the limit of credit facilities obtained in any form for at least 60 days provided that they represent in the aggregate at least 5% of the total exposures; and

(d) the existence of one or more exposures to certain public institutions listed under Article 25-*novies* of the Insolvency Code.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

BNP Paribas, Goldman Sachs International and J.P. Morgan SE (the "**Joint Global Coordinators and Physical Bookrunners**") and Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, Société Générale and UniCredit Bank AG (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators and Physical Bookrunners, the "**Initial Purchasers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement"**) dated 17 July 2023, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 7.875 per cent. of the principal amount of the Notes, in accordance with the terms and conditions contained therein. The Issuer will pay to the Initial Purchasers the commissions set forth in the Subscription Agreement and it will also reimburse the Initial Purchasers in respect of certain of their expenses and has agreed to indemnify the Initial Purchasers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in certain transactions exempt from or not subject to, the registration requirements of the U.S. Securities Act. Terms used in this "*United States*" sub-section, unless otherwise specified, have the meanings given to them by Regulation S under the U.S. Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

Each Initial Purchaser has represented and agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**Resale Restriction Termination Date**") within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the U.S. Securities Act. Each Initial Purchaser has further agreed that it will send to each dealer to which it sells any Notes prior to the Resale Restriction Termination Date, a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes prior to the Resale Restriction Termination Date a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act.

United Kingdom

Each Initial Purchaser has represented, agreed and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" as defined in the Prospectus Regulation.

Prohibition of Sales to UK Retail Investors

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA.

Hong-Kong

Each Initial Purchaser has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Republic of Italy

The offering of the Notes has not been cleared by the CONSOB or registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Information Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and any other applicable Italian laws and regulations.

Any offer, sale or delivery of the Notes or distribution of copies of these this Information Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must:

(i) be made by *soggetti abilitati* (including an investment firm, bank or financial intermediary to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**")); and

(ii) comply with any other applicable Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, issued on August 25, 2015, as amended on August 10, 2016 and November 2, 2022 and as further amended from time to time) and/or any other Italian authority; and

(iii) in compliance with any other applicable laws and regulation imposed by CONSOB, the Bank of Italy or any other Italian competent authority.

France

Each of the Initial Purchasers has represented and agreed that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Notes and the distribution in France of this Information Memorandum or any other offering material relating to the Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each of the Initial Purchasers has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Initial Purchaser has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA), that all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The offering of the Notes in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because the Notes have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and the Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Information Memorandum does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

General

No action has been or will be taken in any jurisdiction by any Initial Purchaser or the Issuer that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Initial Purchaser has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the Initial Purchasers shall have any responsibility therefor.

None of the Issuer and the Initial Purchasers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Corporate information of the Issuer

The Issuer was incorporated as a joint stock company under the laws of Italy on 20 October 1908, and its duration is until 31 December 2100. The Issuer's registered office is Via Gaetano Negri 1, 20123 Milan, Italy. The Issuer has a subscribed and fully paid-up share capital of €11,677,002,855.10 divided into 15,329,466,496 ordinary shares and 6,027,791,699 savings shares.

LEI

The Legal Entity Identifier (LEI) of the Issuer is 549300W384M3RI3VXU42.

Authorisation

The issuance of the Notes was authorized by a resolution of the Board of Directors (*consiglio di amministrazione*) of the Issuer passed on 10 May 2023 and registered with the Companies Register on 25 May 2023.

Listing and Admission to Trading

Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the professional segment of its Euro MTF Market, with effect from the Issue Date. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID II. This Information Memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019.

Maples and Calder (Ireland) LLP is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Luxembourg Stock Exchange or to trading on the professional segment of its Euro MTF Market.

Foreign languages used in this Information Memorandum

The language of this Information Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Documents Available

For as long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the professional segment of its Euro MTF Market, copies of the following documents will, when published, be available for inspection on the website of TIM at https://www.gruppotim.it/en.html:

(i) the constitutional documents (with an English translation thereof) of the Issuer;

(ii) the Trust Deed (which contains the forms of the Global Notes, the Notes in definitive form and the Coupons);

(iii) a copy of this Information Memorandum.

A copy of the Information Memorandum will also be available on the website of the Exchange: luxse.com.

Clearing and Settlement Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2637954582 and the Common Code is 263795458. The CFI Code is DBFNFR and the FISN is TELECOM ITALIA/7.875EUR NT 20280731. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legended Notes

The Permanent Global Note, definitive Notes and the Coupons will contain the following legend: "*Any United States person who holds this obligation may be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code*".

Significant Change and Material Adverse Change

There has been no significant change in the financial performance or position of the Issuer or of the TIM Group since 31 March 2023 and there has been no material adverse change in the financial position or prospects of the Issuer or of the TIM Group since 31 December 2022.

Initial Purchasers transacting with the Issuer

Each Initial Purchaser and its respective affiliates, including parent companies, engage and may in the future engage, in financing, in investment banking, commercial banking ((including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for us and our affiliates (including other members of the Group) in the ordinary course of business. Each Initial Purchaser and its affiliates may have positions, deal or make markets in the Notes related to derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, each Initial Purchaser and its affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. Each Initial Purchaser and its affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk-management policies. Typically, each Initial Purchaser and its affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. Each Initial Purchaser and its affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the Initial Purchasers are also acting as Dealer Managers under the Tender Offer.

As further described in the section "*Subscription and Sale and Transfer and Selling Restrictions*", each Initial Purchaser will receive a commission.

Independent Auditors

The consolidated financial statements of TIM Group for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, prepared under IFRS, 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 translation of their reports included elsewhere in this Information Memorandum.

EY S.p.A. is registered under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree 27 January 2010, No. 39. EY S.p.A., which is located at Via Meravigli 12, 20123 Milan, is also a member of ASSIREVI (the Italian association of auditing firms).

Trustee's Reliance on Certificates and Reports

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors of Issuer or any other expert provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that any such certificate or report or any engagement letter or other document entered into by the Trustee and such auditors or such other expert in connection therewith contains any limit on the liability of such auditors or such other expert.

APPENDIX A (GLOSSARY)

Below is a list of the main technical terms used in this Information 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.

3GPP (3rd Generation Partnership Project)

The 3rd Generation Partnership Project (3GPP) unites seven telecommunications standard development organizations (ARIB, ATIS, CCSA, ETSI, TSDSI, TTA, TTC), known as “Organizational Partners” providing their members with a stable environment to produce the Reports and Specifications that define 3GPP technologies as basis for a Mobile Broadband Standard. The 3GPP specifications cover cellular telecommunications technologies, including radio access, core network and service capabilities, which provide a complete system description for mobile telecommunications.

3GSO (Third Generation Switch Off)

Activity aimed at switching off 3G already implemented by various operators around the world. TIM will execute it in 2022. The frequencies used can be made available to newer systems such as 5G to ensure greater coverage and capacity while respecting electromagnetic limits.

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.

4K or UHD (Ultra High Definition)

4K, also called Ultra HD (defined by the Blu-ray Disc Association), is a resolution standard for digital television, digital cinema and computer graphics. 4K refers to a television resolution of 3,840 x 2,160 pixels. This is four times the number of a Full HD television; the higher pixel density produces a clearer, cleaner and a better defined image, with more detail and texture. Its evolution is represented by 8K which will be 4 times higher.

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 Core

It is the "core" segment of a 5G network designed to be natively cloud native. The interactions among its components (Network Functions) are based on service exposure paradigm similarly to what happens for Web Services. The new 5G Core also introduces new orchestration capabilities and new functionalities such as Network Slicing, edge computing support and service exposure towards third parties.

5G NR (5G New Radio)

It is the new 5G Radio Access Technology (RAT). See 5G SA and NSA.

5G NSA

The non-standalone (NSA) mode refers to a 5G deployment option where NR works in cooperation with an LTE access.

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.

Access charge

Amount charged by national operators for the use of their network by other network operators also known as an "interconnection fee".

ABR streaming (Adaptive Bit Rate)

Adaptive bitrate streaming or ABR streaming, sometimes shortened to ABS, is a technique for dynamically adjusting the compression level and video quality of a stream to match bandwidth availability.

ADS (American Depositary Shares)/ ADR (American Depositary Receipt)

Instruments used for the listing on the NYSE (The New York Stock Exchange).

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*) Italian National Regulatory Authority related Communication. Agile

In software engineering, the expression Agile (or agile software development) refers to a set of software development methods that are opposed to traditional models such as cascade models (e.g. waterfall model); Agile methods propose a less structured approach focused on the objective of delivering to the customer quickly and frequently software that is functional and with best quality. Among the practices promoted by agile methods, today in general referred to the Project Management of products (not exclusively software), there are: the setup of small, poly-functional and self-organized development teams, iterative and incremental development, adaptive planning, and the direct and continuous involvement of the customer in the product development process.

AI (Artificial Intelligence)

Ability of a technological system to solve problems and carry out tasks and activities typical of the mind and human behaviour. 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.).

Analog Transmission

Analog transmission is a method of transmitting voice, data, image, or video information using a continuous signal that varies in amplitude, phase, or other property, in proportion to that of a variable. An example is the transfer of a source signal, using an analogue modulation method such as frequency modulation (FM) or amplitude modulation (AM), or no modulation at all. In Telco networks analogue transmission has commonly been replaced by digital transmission technologies.

AON (Active Optical Network)

Optical distribution network based on active equipment. Used for the first optical networks in the 2000s and then replaced by PON.

API (Application Programming Interface)

An API is a set of procedures used to interact with other programs and expand their functionalities. APIs are software libraries available for a given programming language that extend some functionality of the platforms making them interoperable and open to different implementations.

AR (Augmented Reality)

Reality that surrounds us and which is enriched with additional content such as images, videos, 3D models, etc. viewed via mobile devices.

ASN (Autonomous System Number)

An autonomous system number is a unique identifier that is globally available and allows its autonomous system to exchange routing information with other systems.

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.

Avatar

Digital representation of a person who, in the XR, allows you to interact with the environment and with other people.

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, analyse 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.

BRAS (Broadband Access Server) - BNG (Broadband Network Gateway)

Also named BNG, it is an equipment that handles the access sessions of fixed broadband users. It authenticates the users, terminates the logical links originated at users' premises, produces user accounting data, may apply policies and QoS techniques.

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.

BSC (Base Station Controller)

Control node of the 2G radio access network and interface with the MSC switching node. It has the task of supervising and controlling radio resources, for both call or data setup and maintenance.

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.

BTS (Base Transceiver Station)

Radio base station transmitting and receiving the GSM radio signal to cover an area , split in one or more cells) by using one or more radio transceivers (TRX). BTS performs also GSM communications ciphering/deciphering.

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.

Bypass

Opposite of COLT; these are Central Offices that don't contain active equipment for NGA customers; in long term plans will be released, not before migrating all legacy services.

CaaS (Container as a service)

Through a Cloud CaaS (Container as a Service) offer, a consumer acquires in a flexible and dynamic way from a Cloud Provider an environment typically based on Kubernetes technology in which it is possible to execute containers. The CaaS environment will manage the life cycle of the container and the related scaling-up and upgrade needs in line with the shared policies.

Caching

Web contents caching (videos, HTML pages, images, etc.) is a technology that allows to reduce bandwidth usage and content access time. A cache stores copies of documents requested by users in location closer to the users than the originating sites, so that subsequent requests can be satisfied by the cache itself, under appropriate conditions. The enabling technology could be also based on a standard and open approach (open caching) or using a proprietary and closed one (alien caching).

Carrier

Telecommunication services operator, providing a transport of communication services by means of its physical telecommunication network.

Carrier Aggregation

Technology used to aggregate more radio carriers to increase the transmission speed over a wireless network.

CAS (Conditional Access Systems)

Conditional access systems (CAS) are used by content providers, such as pay-TV operators, to ensure only those subscriber devices which meet certain conditions can access the protected content. Conditional access systems work by encrypting digital transport streams (the pay-TV content) and sending authorizations to decrypt the content separately.

CAT M1 (Category M1) or LTE Cat-M

Cat-M1, also known as LTE Cat-M, is a low-cost LPWAN technology developed by 3GPP as part of the 13th release of LTE standard. It's a complementary technology to NB IOT, with faster upload and download speeds of 1Mbps and lower latency of 10 to 15ms.

CCA (Current Cost Accounting)

A method of accounting that values assets at their current replacement cost rather than their original cost.

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 (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.

Central Unit (CU)

It is a logical node hosting PDCP, RRC and SDAP protocol layers and other control functions based on a higher layer functional split.

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.

CI/CD (Continuous Integration/Continuous Delivery):

In software engineering, CI/CD or CICD is the combined practices of continuous integration (CI) and (more often) continuous delivery or (less often) continuous deployment. CI/CD bridges the gaps between development and operation activities and teams by enforcing automation in building, testing and deployment of applications.

Closed User Group

Group of customers who can make and receive calls or messages within the group at special conditions (restricted access, dedicated pricing).

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).

Cloud Continuum

A cloud composed by a set of point of presence spanning from central to edge locations working as a single cloud.

Cloud native

Cloud native refers to an approach to build applications in a way that allows the full exploitation of the cloud paradigm (see Cloud).

CNI (Cloud Native Infrastructure)

Cloud-native infrastructure is the hardware and software that runs and supports the applications that are built to draw on the cloud's advantages, and that only exist in the cloud

CNF (Cloud Native Function)

Virtualized network functionality on COTS (Commercial Off The Shelf) HW, hosted on Telco Data Center or Public Cloud, flexible and dynamic capacity, use of Containers and Micro Services, automated LCM.

Cogeneration

Cogeneration is the combined production of electrical (or mechanical) energy and useful heat from the same primary source. By using the same fuel for two different purposes, cogeneration aims at a more efficient use of primary energy, with associated cost savings especially in production processes where there is a strong overlap between the use of electricity and heating.

Cognitive Computing

Advanced artificial intelligence system in which the machines have part of the typical functions of a human brain. Cognitive computing technologies are able to process enormous amounts of information, learn autonomously, interact in human language and reproduce human thought models.

COLT (Central Office Long Term)

It refers to Central Offices that remain also for long term plans, connecting NGA customers with Fiber Optic.

Community

A group of people who have some interests in common and communicate via Internet (i.e. via social network).

Connected Car

A connected car is a vehicle with an Internet access and sensors for sending and receiving signals, perceiving the surrounding environment and to get in touch with other vehicles and services.

Container

A container is an abstract unit of software that is executable and self-contained, with everything needed to run an application: code, runtime, tools, and system libraries. Containers have defined parameters and can run a specific program, workload, or task. Each container that runs is reproducible. Containers allow you to decouple applications from the infrastructure of the host on which they run. This approach makes it easier to deploy on different clouds or operating systems.

Co-siting

Agreements to share technological sites (for Telecommunications, specifically, sites of access to the network and passive infrastructure) by several operators in order to achieve a more efficient use of network infrastructure in urban and rural areas.

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.

CMS (Content Management System)

A content management system, often abbreviated as CMS, is software that helps users create, manage, and modify content on a website without the need for specialized technical knowledge.

CPE (Customer Premise Equipment)

The Customer Premise Equipment is an electronic device (terminal, telephone, modem) for telecommunications used on the user’s side that is able to connect directly to the geographic transmission network through appropriate interfaces. The connection between the CPE and the network can be realized on physical carrier (optical fiber, telephone twisted pair) or on radio (wireless) carrier.

COTS Commercial Off The Shelf

A software and/or hardware product that is commercially ready-made and available for sale, lease, or license to the general public.

CPS (Carrier Pre-selection)

Within the framework of the Equal Access policy guaranteed to all operators, the CPS (Carrier Pre-Selection) is a feature of the telephone network that allows to permanently specify the call routing to the chosen operator. This function must be implemented by the access operators in their own plants.

CPU (Central Processing Unit)

The component of a computer system that controls the interpretation and execution of instructions. The CPU of a PC consists of a single microprocessor. The term “processor” is often used to refer to a CPU.

C-RAN

It refers to a Centralized Cloud RAN, a paradigm addressing centralized processing, collaborative radio, real- time cloud computing, and power efficient infrastructure. It is an architecture that aggregates Base Stations computational resources into a central pool by enabling improved radio coordination. C-RAN exploits software-defined networking (SDN) and Network Functions Virtualization (NFV) techniques as well as data centre processing capabilities to enable the separation of the control and data planes and to achieve high flexibility by allowing network resource sharing in a dynamic way.

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.

DAM Digital Asset Management

Digital asset management (DAM) is the integrated system for centralized strategic management of content. It is the software that allows to create, organize and distribute content on different channels such as websites and applications, and increases the effectiveness of communication.

DAS (Distributed Antenna System)

It is a network of distributed antennas connected to a signal source in order to provide wireless services in a geographical area or indoor. The Radiofrequency signal is combined and distributed through an antenna system.

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 centre. The development of new distributed computing technologies has inaugurated new management criteria that see more data centres located/distributed at both a physical and virtual level.

Data mining

The process of discovering patterns and insights in large data sets using statistical and machine learning techniques.

Data warehousing (DW)

A method of collecting and storing large amounts of data in a central location for analysis and reporting.

DCC (Digital Contact Center)

It is a set of platforms used to connect customers to most appropriate human and virtual Customer Care agents, via different channels (voice, web, apps, mail, chat, SMS) and to support agents in the interaction with customers (e.g. Verbal Ordering, Back Office).

DDoS (Distributed Denial of Service)

A distributed denial-of-service (DDoS) is an attack to a target, such as a server, website or other network resource, and cause a denial of service for users of the targeted resource. A flood of incoming messages, connection requests or malformed packets to the target system forces it to slow down or even crash and shut down, thereby denying service to users or systems.

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.

Deep learning

A subset of machine learning that involves training neural networks with multiple layers on large amounts of data.

DevOps

In computer science, with DevOps (from the English contraction of Development and Operations) we mean an agile method of software development that aims at communication, collaboration and integration between developers and operations operators. DevOps is therefore an approach to the development and implementation of applications in a company, that has as its objective the release of the product, the testing of the software, the evolution and maintenance (correction of bugs and minor releases) to increase reliability and security and speed up development and release cycles.

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.

Distributed Unit (DU)

It is a logical node hosting RLC/MAC/High-PHY protocol layers based on a lower layer functional split.

DLA (Data Layered Architecture)

It is an architecture for real-time management of user data in telecoms networks (such as user profiles, etc.). It introduces a separation between a logically centralized data storage layer, taking care of data consistency and availability, and a front-end layer which handles requests coming from network elements.

DNS

The register containing the numeric IP addresses (for example 123.456.789.0) associated with the alphanumeric addresses (name.surname@dominio.com) commonly used to identify a website or e-mail address.

DPI (Deep Packet Inspection)

It is a technology for analysis of live traffic packets which looks ‘deeply’ into packets payload, i.e. up to application level, rather than just at IP/TCP/UDP headers level. It enables advanced traffic management.

DRM (Digital Rights Management):

Digital rights management (DRM) is a way to protect copyrights for digital media and content. This approach includes the use of technologies that limit the copying, reproduction and use of copyrighted works, protected contents and proprietary software.

DSL Network (Digital Subscriber Line Network)

It is a network technology family that provides wide bandwidth digital transmission at short distances, through the traditional twisted copper pairs from the first switching office to the end user.

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.

DTT (Digital Terrestrial TV)

Digital Terrestrial Television Broadcasting is a type of broadcasting technology that provides a more effective way of transmitting television services (in terms of number of channels and images quality) using a digital system.

DVB-H (Digital Video Broadcasting-Handheld)

DVB-H was a standard for the transmission of digital video optimized for mobile networks and handheld devices such as smartphones and cellular phones.

DWDM (Dense Wavelength Division Multiplexing)

It is a technology for multiplying and transmitting at the same time optical signals with different wavelengths in a single optical fiber in order to increase the available amount of bandwidth.

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.

EEB (Energy Efficiency in Buildings)

International initiative promoted by the WBCSD (World Business Council for Sustainable Development) for research in energy efficiency in buildings in order to reduce the environmental impact and the energy costs.

EFFC (Extraction Full Free Cooling)

A cooling system for the reduction of consumption without the use of greenhouse gases. The EFFC is based on the principle of free cooling (forced ventilation without the use of air-conditioning), combined with a system to extract the hot air produced by the apparatus and further cooling (adiabatic) of incoming air obtained by exploiting a zone with a high concentration of nebulized water.

eMBB (Enhanced Mobile Broadband)

Mobile broadband data service over LTE-A, 5G network.

EMF limits (Electromagnetic Field limits)

Electromagnetic fields are present everywhere and are generated both by natural sources (thunderstorms, earth magnetism) and human-made ones such as power lines, TV antennas, mobile base stations, microwave ovens. They are known to affect human body in ways that depend on their frequency. For radiofrequency fields, such as those produced by mobile base stations and mobile handsets, the major biological effect is heating of the body tissues. The current view of scientific community, as outlined by World Health Organization, is that while exposure to high levels of EMF are harmful to health, there is no evidence that prolonged exposure to low levels of EMF might be harmful. The definition of what is meant to be a level low enough to be harmless is left to individual Countries, however guidelines have been defined by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

Regarding Italy, the exposure limit is 20 V/m. Moreover, in homes, schools, playgrounds and places where people may stay for longer than 4 hours per day, an ‘attention value’ of 6 V/m is applied and averaged over any 24 hour period.

EMS (Environmental Management Systems)

Environmental management systems contribute to the sustainable management of production and support processes and are a stimulus to the continual improvement of environmental performance as they are tools to ensure effective management, prevention and the continuous reduction of the environmental impact in work processes.

eNB (Evolved Node B)

It is the Radio Base Station in 4G technology, which implements LTE radio interface and manages its radio resources.

EPC (Evolved Packet Core)

It is the core segment of a 4G network. It performs management of user mobility, routing of traffic (which in 4G is only packet traffic), policy enforcement, production of accounting data, interconnection with IP networks.

EPC NSA (Evolved Packet Core Non Standalone)

Mobile 4G Core Network capable of supporting LTE and New Radio accesses connected in dual connectivity.

EPG (Electronic Program Guide)

Electronic programming guides (EPGs) is menu-based systems that provide users of television, radio and other media applications with continuously updated menus that display scheduling information for current and upcoming broadcast programming.

EPON (Ethernet PON)

EPON also known as Gigabit Ethernet PON or GEPON, 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

EPS (External Power Supplies)

External power supplies of equipment.

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).

ETSI (European Telecommunications Standards Institute) EuP (Energy-using Products)

The Eco-Design Directive for Energy-using Products (2005/32/EC) establishes a regulatory framework that manufacturers of energy-using products (EuPs) must follow, from the design phase onward, to increase energy efficiency and reduce the negative environmental impact of products.

Feeder

Carrier class IP routers that perform the function of collecting and concentrating fixed and mobile network traffic as well as commercial one, originating from a basin of Central Office Areas. The traffic collected by the Feeders is delivered in double homing to the Metro nodes on physically diversified routes.

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.

FFC – Full Free Cooling

Cooling system based on the use of forced ventilation to reduce energy consumption.

Fronthaul

In the functional split of a Base Station, it refers to the interface between the Remote Unit (RU) and the Distributed Unit (DU).

FSC (Forest Stewardship Council)

The Forest Stewardship Council is an international non-profit NGO. The FSC represents an internationally recognized forest certification system. The purpose of certification is correct forest management and traceability of forestry products. The FSC logo guarantees that a product has been made with raw materials deriving from forests correctly managed according to the principles of the two main standards: forest management and chain of custody. FSC certification is an independent, third-party scheme.

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), we mean a solution towards the Office, while FTTR (Fiber To The Room), we intend 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).

Gateway

An interconnection node between networks. A Gateway node may be used to separate networks belonging to different Domains or make functionally different networks interwork through protocol interworking.

G.FAST

G.FAST (Fast Access to Subscriber Terminal, group "G" of the ITU-T recommendations) is a DSL standard, fourth generation on copper, adopted by ITU-T starting from 2014 that allows to reach aggregate Downstream speeds + Up Stream of about 500 Mbit / s up to 100m and about 800-900 Mbit / s up to 50m.

It is therefore a technology with a speed higher than VDSL2 and eVDSL but, being optimized for very short distances, it requires the network devices to be positioned even closer to the customer than the cabinets line, or rather in distribution boxes at or at the base of buildings.

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.

GPU (Graphics Processing Unit):

Graphics processing unit is a specialized processor (or CPU) originally designed to accelerate graphics rendering

GRI (Global Reporting Initiative)

The Global Reporting Initiative (GRI) is a leading organization in the field of sustainability. GRI promotes sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

GRX (GPRS Roaming eXchange for Mobile Operators)

The GRX service allows Mobile Operators to globally interconnect GPRS networks around the world enabling global GPRS roaming coverage.

GSM (Global System for Mobile Communication)

A worldwide standard for digital cellular telephony working on the 900MHz and 1800MHz bands. It belongs to the Second Generation (2G) of mobile systems.

GSMA (GSM Association)

The GSM Association (commonly referred to as 'the GSMA' or Global System for Mobile Communications, originally Groupe Spécial Mobile) is an industry organization that represents the interests of mobile network operators worldwide.

HCFC (Hydrochlorofluorocarbons)

Chemical compounds used mainly in cooling systems to replace chlorofluorocarbons (CFCs) which were banned by the Montreal Protocol. They have a more limited effect in depleting the ozone layer (approximately 10% of the ozone-depleting potential of CFCs).

HCP (Hyperscale Cloud Provider)

Cloud infrastructure provider able to massive scale resources on large number of servers distributed on a global scale.

HFC (Hydrofluorocarbons)

Compounds used in cooling systems. They belong to the family of greenhouse gases. They do not harm the ozone layer.

HDSL (High-bit-rate Digital Subscriber Line)

Technology of xDSL family, standardized in 1994. It provides up to 8 Mb/s symmetrical over copper.

HLR (Home Location Register)

Database where customer data are recorded. It is part of 2G and 3G systems.

Home Access Gateway – Access Gateway – Home Gateway – Residential Gateway

Home networking device that is used to concentrate voice/data/video traffic of customers for private TLC networks and to connect devices in the home to the Internet or other WAN.

Hybrid Cloud

A Cloud solution composed by both private and public resources

Housing

Leasing of physical space to customers, which is managed within a data centre 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.

IEEE (Institute of Electrical and Electronics Engineers)

An organization of professional scientists aiming at promoting technology science and research in the field of electrical and electronics engineering and related fields. IEEE also works as a publishing house and standardization body.

IETF (Internet Engineering Task Force)

The Internet Engineering Task Force (IETF) is a standards organization for the Internet and is responsible for the technical standards that make up the Internet protocol suite (TCP/IP).

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 signalling 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 (hots) 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.

IPCC (IP Contact Center)

See DCC.

IP/MPLS (Internet Protocol/Multi Protocol Label Switching)

A packet switching protocol to optimize network behaviours of mapping Layer3 (IP) end-to-end data flow to Layer2 traffic between adjacent network nodes.

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.

ISDN (Integrated Services Digital Network)

A narrowband system in which several services (e.g., voice and data) may be simultaneously transmitted end to end in digital form.

ISO (International Organization for Standardization)

ISO is the world’s leading organization for setting technical standards.

ISPs (Internet Service Provider)

A vendor who provides access to the Internet and World Wide Web.

ITU (International Telecommunication Union)

An international organization that aims to set telecommunications standards and in the use of radio waves. Founded in 1865 in Paris, it is one of the specialized agencies of the United Nations and its head office is in Geneva.

J2C (Journey to Cloud)

“Journey to Cloud” is a transition aiming to migrate corporate assets to the cloud, enabling IT costs and greenhouse gas emissions decrease, business results improvement and innovation pace speed up.

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 centre 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.

KVAR (kilovolt–amperes reactive)

Measurement system, expressed in kilovolt, of electric current lost in an AC electrical system.

Kubernetes

An open-source platform for container orchestration, allowing for the management of containers at scale.

LAN (Local Area Network)

A private network that covers a local geographic area and provides telecommunications services as well as interconnection between personal computers.

Lambda

Represents the single optical channel on which a signal is transmitted in fiber-optic networks.

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.

LCA (Life Cycle Analysis)

Analysis methodology for the evaluation and quantification of environmental impacts associated with a product/process/activity along the entire life cycle from the extraction and acquisition of raw materials to the end of its life.

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 Aggregator (LA)

Carrier class IP router that perform the function of collecting and concentrating fixed and mobile network traffic as well as commercial one, for a single Central Office Area. The traffic collected by the Remote Feeders is delivered in double homing to the Feeder nodes, possibly on physically diversified routes.

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”.

LPWAN (low-power wide area):

A low-power wide-area network (LPWAN or LPWA network) is a type of wireless telecommunication wide area network designed to allow long-range communications at a low bit rate among things (connected objects), such as sensors operated on a battery.

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.

MEC (Multi-access Edge Computing)

A technology that allows edge devices, such as smartphones and IoT devices, to process data closer to the source, reducing latency and improving performance.

ETSI MEC (Mobile Edge Computing)

A specific type of edge computing, standardized by ETSI, that is designed to meet the needs of mobile network operators and their subscribers, providing low-latency, high-bandwidth services to mobile devices.

MEMS (Micro-Electro-Mechanical Systems)

MEMS are miniaturized devices ranging in size from a few micrometers to a few millimeters, which execute one or more monitoring, processing or actuation functions by deploying a combination of electronic, mechanical, optical, chemical or biological components integrated on a usually silicon hybrid circuit.

Metro (M)

Carrier class IP routers that perform the function of collecting and concentrating fixed and mobile network traffic as well as of commercial origin relating to their MAN area.

MGCP (Media Gateway Control Protocol)

An Internet Engineering Task Force (IETF) signaling protocol allowing a bridge between classic telephone networks and Internet (i.e., IP-based) infrastructures.

MGW (Media Gateway)

Equipment that processes voice and video traffic adapting codings between different technologies (e.g. from circuit to packet).

Microservices

In the development of modern software applications, when the term micro-services is used, a specific architectural model for the development of a single application as a suite of small services is indicated; each micro-service is identified as a specialized processing process (e.g. a web server, a storage application, etc.) and is able to communicate with fast and lean mechanisms, often based on API interfaces for the description of HTTP resources. These services provide capabilities for the development of a company's business and are particularly suitable for the creation of software products according to agile methodologies; each micro-service can be implemented and managed independently using fully automated implementation algorithms, thus ensuring maximum flexibility in the development and maintenance of applications.

Midhauling

In the functional split of a Base Station, it refers to the interface between the Distributed Unit (DU) and the Central Unit (CU).

MIMO (Multiple Input Multiple Output)

It is a set of techniques aimed to increase the overall bitrate of radio access through simultaneous transmission of two (or more) different data signals on two (or more) collocated antennas, using the same frequency resources. The receiving side, also equipped with two or more antennas, is able to discriminate the different data signals by exploiting the differences in time and direction of arrival of the simultaneous signals that are caused by multipath propagation. Actually, multipath propagation i.e. the fact that a signal from A reaches a point B via multiple paths due to reflection and scattering from objects (such as buildings, trees) is a natural phenomenon affecting radio communications, which used to be seen as an impairment. Conversely, MIMO techniques exploit (using suitable signal coding) this multiplicity of paths to increase capacity.

mMTC (Massive machine type communication)

mMTC, also known as massive machine communication (MMC) or massive Machine to Machine communication, is a type of communication between huge number of machines over wireless networks where data generation, information exchange and actuation takes place with minimal or no intervention from humans.

mmWave (millimeter Wave)

Millimeter waves — often referred to as mmWaves or high-band 5G — are frequencies starting at 24 GHz and beyond. As radio waves increase in frequency, each wave narrows in length. Because of its high frequencies, mmWave has a limited range and struggles to penetrate buildings, but a high transport capacity.

MPEG (Motion Picture Expert Group)

The Moving Picture Experts Group, acronym MPEG is a joint technical committee formed by the international organizations ISO and IEC in 1988. It was created with the aim of defining standards for the digital representation of audio, video and other types of multimedia content in order to meet a wide variety of applications.

MR (Mixed Reality)

AR (Augmented Reality) through special viewers that allow hands-free use.

MSC (Mobile Switching Center)

Executes functions such as controlling calls, switching traffic, billing, controlling and authentication and acts as an interface with other networks.

Multimedia

A service involving two or more communications media (e.g., voice, video, text, etc.) and hybrid services created through their interaction.

Multicast ABR (Multicast Adaptive Bit Rate)

Technology that encodes the video multicast traffic in different streams at different bitrates, used according to the channel conditions, allowing to optimize the use experience the use of network resources.

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.

NaaS (Network as a Service)

The term NaaS (Network as a Service) refers to the provision of virtual network services by a Network Provider to a third party, such as a Service Provider not equipped with geographically networked resources, or a medium/large customer that requires basic or advanced connectivity resources on a public or shared network infrastructure. Some examples of services that refer to the NaaS model are VPNs (Virtual Private Networks, Dynamic Bandwidth Services (BoD, Bandwidth on Demand) and Mobile Network Virtualization. Today, the spread of NaaS offers is increasingly supported by flexible network virtualization models and the use of network programming and automation technologies, such as Software Defined Networking (SDN).

Naked

A digital subscriber line without an analog or ISDN telephony service. It is a line dedicated to data services.

NB IoT (Narrowband Internet of Things)

It is a 3GPP specification enabling the Internet of Things, based on the optimization of narrowband radio access aimed at the application of LTE technology to sensor networks: few and small messages per day, high coverage range (e.g. to reach the counters in the basements), very high battery life (target 10 years), high number of connections per cell (tens of thousands) and very low cost of the modules.

NEF Network Exposure Function

The Network Exposure Function is related to the 3GPP 5G Architecture. This function provides a means to securely expose the services and capabilities provided by 3GPP network functions.

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.

NAT (Network Address Translation)

A technique that is used to map the IP addresses of devices on a private network to a single public IP address to conserve IP addresses and provide security.

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.

Network cap See Price cap. Network Slicing

Network Slicing referred to 5G. Creation of multiple ad hoc logical networks segregated from each other on the same physical network infrastructure. Each network slice is an isolated end-to-end network tailored to fulfil different requirements requested by a particular application.

Neural network

A type of machine learning algorithm that is modelled after the structure and function of the human brain.

NFT (Non-Fungible Token)

NFTs are “digital certificates” based on blockchain technology aimed at identifying the ownership of a digital product in a unique, irreplaceable and non-replicable way.

NFV (Network Function Virtualization)

The NFV paradigm allows both fixed and mobile network functions to become software applications, called VNF (Virtual Network Function), which the operator can instantiate on commercial servers, exploiting virtualization technologies, separating the link between hardware and software present in the current network devices.

NGAN (New Generation Access Network)

It can be realized with different technological solutions, typically fiber optic and VDSL pairs.

NGDC (Next Generation Data Center)

A major rethink of the IT and Data Center architecture through the physical concentration and virtualization of servers to reduce the costs of maintenance/management and energy consumption, and to improve efficiency.

NGN (Next Generation Network)

New generation network created by TIM to meet the demands of corporations, public administrations and citizens. The new network architecture guarantees an infrastructure designed to cover multiple offers by increasing customization levels and bandwidth availability, removing bandwidth limits and providing a huge capacity along with a wide selection of access systems.

NGNs (Non-Geographic Numbers)

Non-geographic numbers are unique as they are by definition not associated with any particular geographic location (e.g. premium rate services, toll free, directory assistance services).

NG-RAN (Next Generation Radio Access Network)

Access Network including NR (New Radio) radio access technology.

Node

Topological network junction, commonly a switching centre or station.

Node B (similar to BTS in GSM)

This is the Radio Base Station in UMTS technology which, via an antenna, sends the UMTS radio signal that creates cell coverage (typically 3 cells for Node B). It also performs functions that are strictly linked to managing the radio connection.

Nodal Optical Center- (Centro Nodale Ottico, 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.

N-play offering

Offerings to customers which bundle two or more of the following mobile and fixed services: voice, broadband and ultrabroadband data, video and TV, mobile.

NYSE

The New York Stock Exchange.

OAM (Operation, Administration and Maintenance)

The set of processes, activities, systems and standards involved in the operation, administration and maintenance of a system.

OAO (Other Authorized Operator)

Operators other than the incumbent one that provide services to their customers exploiting the fixed access network of the incumbent.

ODF (Optical Distribution Frame)

ODF is a frame used to provide cable interconnections between communication facilities, which can integrate fiber splicing, fiber termination, fiber optic adapters & connectors and cable connections together in a single unit.

OHSAS (Occupational Health and Safety Assessment Series)

International Standard that sets the requirements that a management system for the protection of workers' health and safety must meet.

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.

ONAP (Open Network Automation Platform)

Linux Foundation Open Source Framework for network and edge computing services management, orchestration and automation.

ONT (Optical Network Termination)

Optical element of the PON (Passive Optical Network) network that performs the function of interface between the access gateway at the customer's home and the OLT equipment in the Central Office. OLT is located at the customer's site, is powered, receives and decrypts (and vice versa) the optical signal, and converts it into an electrical signal (via an Ethernet output), suitable for the access gateway.

ONU (Optical Network Unit)

Optical element of the PON network (Passive Optical Network) which acts as an interface with the user access device or the distribution network to users. ONU is located in the distribution cabinet.

OPC (Optical Packet Core)

It is the multiservice IP backbone for national transport (formerly named OPB, Optical Packet Backbone). It is made up of interconnected nodes which are called OPC (formerly OPB) nodes, and of the very high capacity connections existing between them.

OPM (Optical Packet Metro)

It is a metro-regional network that provides Ethernet and IP connectivity for fixed and mobile network traffic, as well as for Retail or Wholesale customers. It consists of IP routers distributed on three hierarchical aggregation levels: Remote Feeder, Feeder and Metro, interconnected in double homing by physically diversified (where possible) double-way links.

Open Source

Open Source is a computer software in which source code is released under a license in which the copyright holder grants users the rights to study, change, and distribute the software to anyone and for any purpose. Open-source software may be developed in a collaborative public manner.

Optical fiber

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.

Optical Splitter

It is a passive element of the optical network used to create point-to-multipoint optical networks. The optical splitter receives a single optical fiber input (OLT side) and produces N signals on N optical fibers (splitting factor 1:N). In the downstream direction (from OLT to ONT) the splitter "copies" the incoming light on the output optical fibers, thus dividing the light power by N. In the upstream direction (from ONT to OLT) the splitter takes care of adding the light contributions brought by the N optical fibers.

ORAN (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.

OSS (Operations Support System)

Methods and procedures (whether automatized or not) that directly support the daily operation of the telecommunications infrastructure.

OTB (Optical Termination Box)

Passive optical equipment of the PON (Passive Optical Network) that plays the role of splitter of an optical fiber entering the network, in several fibers leaving to the households or plays the role of distributor of incoming and outgoing fibers to give flexibility to the optical network. It is installed a few meters from the households: very often it is located in the counter room of the building, but it can also be mounted on an external wall, or buried or inserted in a cloister.

OTN (Optical Transport Network)

It is a technology designed to enable multiplexing of digital signals for transport over WDM links, and to achieve OAM capabilities for these signals similar to those available in SDH.

This allows a better utilization of WDM links, since it allows to fill lambdas with high rate signals (e.g. 100 Gb/s), which may contain several lower rate signals (e.g. 10 Gb/s), rather than devoting a lambda for each lower rate signal.

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.

Packet-Switched Services

Telecommunications services provided by telcos and long-distance carriers that route packets of data between local area networks (LANs) in different geographical locations to form a wide area network (WAN). Packet-switching services are used to connect multiple LANs into a point-to-multipoint configuration, usually called a multipoint WAN.

Pay-Per-View or PPV

A system by which the viewer pays to see a single program (such as a sporting event, film or concert) at the moment at which it is transmitted or broadcast.

Pay TV

Subscription TV channels. To receive Pay TV or Pay-Per-View programs, a decoder must be connected to the television set, and a conditional access system is needed.

PBX (Private Branch Exchange) Equipment for private telephone networks. PCS (Personal Communications Services)

Set of wireless communications functionalities, voice and/or data, which provide similar services such as mobile ones.

PDH (Plesiochronous Digital Hierarchy)

PDH stands for Plesiochronous Digital Hierarchy. It is a telecommunications network transmission technology (first ITU standard in 1988) designed for the transport of large data volumes across large-scale digital networks.

PE (Provider Edge router)

PE is boundary device between a service provider’s area network and a customer’s one

Peering

Peering is the voluntary interconnection of Internet networks, that refer to different Internet Service Providers, which allows users to exchange traffic between different networks.

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.

PKI (Public Key Infrastructure)

A system for managing digital certificates and public-private key pairs, used to secure electronic communications and transactions.

PNF (Physical Network Function)

Network functionality on physical HW, hosted in Telco offices, static capacity, management via Element Manager.

PNRR Piano Nazionale di Ripresa e Resilienza National Recovery and Resilience Plan Platform

It’s an execution environment that includes hardware, software, application servers and other supporting tools, for the execution of programs.

PoC (Proof of concept)

Proof of concept (POC or PoC), also known as proof of principle, is a realization of a certain method or idea in order to demonstrate its feasibility, or a demonstration in principle with the aim of verifying that some concept or theory has practical potential.

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.

POTS (Plain Old Telephone Service)

Refers to the basic telephony service, (single-line telephones, fixed-line services and access to public voice telephony network).

Price-cap

Identifies the maximum price limit set by a regulator at which a service /product can be sold.

PSTN (Public Switched Telephone Network)

PSTN, also known as the Public Switched Telephone Network, is the first-generation telephone network and provides basic telephone service.

PTN (Packet Transport Network)

It is a class of equipment that implement natively both SDH and Ethernet technologies, i.e. it is able to transport and switch separately both kinds of traffic. It is used to connect smaller, peripheral Central Offices to larger ones, that is a use case where aside packet traffic (e.g. backhauling of broadband access and mobile sites) also legacy circuit traffic (e.g. voice, 2G backhauling) may be found.

QoE Quality of Experience

Quality of Experience (QoE or QoX) is a measure of the overall level of customer satisfaction. QoE expresses user satisfaction both objectively and subjectively. The QoE paradigm can be applied to any consumer-related business, service and product.

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.

QKD (Quantum Key Distribution) - QKE (Quantum Key Exchange)

Quantum key distribution (QKD in acronym, from English: Quantum key distribution) is a system of quantum mechanics to ensure secure communications. It enables two parties to produce and share a random secret key only between themselves which they can use to encrypt and decrypt their messages. This exchange takes place by exploiting the quantum properties of photons. An important and unique property of quantum distribution is the ability of the two communicating users to detect the presence of a third party attempting to obtain information about the key, due to the fact that a measurement process in a quantum system in general disturbs the system.

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.

Refarming

Reassignment of frequency band of an operator of mobile networks from one technology to another for optimization reasons (examples: UMTS900 instead of GSM900 or LTE1800 instead of GSM1800).

Remote Unit (RU)

It is a logical node hosting Low-PHY protocol layer and RF processing based on a lower layer functional split.

RNC (Radio Network Controller)

RNC is the equipment (or node) for the control and aggregation of 3G network.

ROADM

A ROADM (Reconfigurable Optical Add-Drop Multiplexer) is a remotely reconfigurable optical multiplexer capable of switching traffic in a WDM (Wavelength-Division Multiplexing) system. Its use in a transmission network increases the efficiency of the transport allowing to transmit up to over 90 high bitrate channels (today up to 200Gbit/s) on a single pair of fibers.

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.

RoHS (Restriction of Hazardous Substances)

European Directive No. 95/2002 that regulates the use of hazardous substances in electrical and electronic equipment, in order to contribute to the protection of human health and environment.

RPA (Robotic Process Automation)

Automation of repetitive tasks performed by human operators by means of software (“robots”).

RTG (Rete Telefonica Generale)

RTG, also known as the Public Switched Telephone Network, is the first-generation telephone network and provides basic telephone service.

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.

SAR (Specific Absorption Rate)

SAR is a measure of the percentage of electromagnetic energy absorbed by the human body when it is exposed to the action of an electromagnetic field at radio frequency (RF). See also EMF limits.

SCEF Service Capabilities Exposure Function

The SCEF was introduced in Release 13 (LTE) of the 3GPP specifications and was designed to provide a means to securely expose the services and capabilities provided by the 3GPP network interfaces.

SDH Standard (Synchronous Digital Hierarchy)

The European standard for high-speed digital transmission.

It's a protocol of the physical layer used for multiplexing in time division and the subsequent digital transmission of telephony and data, in geographic networks on optical fiber, electric cable or radio link.

SDK (Software Development Kit)

Software development kit is a collection of software development tools in one installable package to ease the creation of applications.

SDN (Software Defined Networking)

Software Defined Networking is a paradigm based on network virtualization whose aim is to transform traditional networks into flexible and intelligent platforms to satisfy in real time the bandwidth requirements and the dynamic nature of digital applications.

SD WAN (Software Defined WAN)

In Networking topic, the SD-WAN (Software Defined WAN) solutions are an innovation of the traditional Wide Area Network solutions and of the Edges IP Networking, developed to offer advanced connectivity services addressed to Business customers. SD-WAN solutions work agnostically with respect to the access technology, the WAN transport network, they use dynamic routing of data on an application basis and in strong integration with Multi-Cloud solutions, to link connectivity to some added-value services such as WAN optimization, application monitoring and advanced security.

Service Discovery

The process of finding and identifying the location of a service, typically done using a service registry or a naming service.

Service Exposure

The Service Exposure is an infrastructure to expose functionalities, called API (Application Programming Interface), both to Third Parties (e.g. Business Partner), both for internal use.

Service Mesh

A configurable infrastructure layer for microservices application that makes communication between service instances flexible, reliable, and fast.

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.

SGU (Local exchange interconnection level for telephone traffic)

Local Exchange for telephone traffic carriage, routing and transmission. See also Central Office.

Shared Access

Shared access to the user’s twisted pair with another TLC service provider by using separately voice and non-voice band frequency spectrum. This mode allows keeping voice telephony with an Operator (TIM or others) and ADSL service on the proprietary network of the shared access operator (i.e. not passing over the TIM network but directly through the DSLAM of the operator).

SIP Trunking

Session Initiation Protocol (SIP) Trunking is a service offered by a communications service provider that uses the protocol to provision voice over IP (VoIP) connectivity between an on-premises phone system and the public switched telephone network (PSTN). SIP is used for call establishment, management and teardown.

SL (Distribution Frame level for telephone traffic)

See Central Office.

SLA (Service Level Agreement)

Service Level Agreements are contractual instruments through which service metrics are defined (e.g. quality of service) that must be respected by a service provider (provider) towards their customers / users.

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.

Small Cells

Small cells are low energy consumption access nodes to the radio spectrum. . Smaller than the antennas, Small Cells are usually used in mobile telephony, both for the coverage of outdoor areas (squares, pedestrian streets, etc.) and for the coverage of indoor hot spots (airports, stadiums, shopping centres, stations, hospitals, university campuses, etc.).

SME (Small Medium Enterprise)

Market segment of small- and medium-size enterprises (from 3 to 50 employees).

Smart City

The term Smart City refers to an urban area that uses integrated ICT technologies to optimize resources in key areas: mobility, communication, economy, work, environment, administration and construction. From an infrastructural point of view, the use of available resources on the web improves economic and political efficiency and can allow social, cultural and urban development.

Smartphone

Electronic device that combines the functions of a mobile phone and a handheld computer equipped with a complete operating system.

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.

SON (Self-Organizing Network)

It is a set of technologies and architectures that allows Operators to introduce, in the context of radio-mobile networks, the technological enablers for the automation of network configuration, optimization and assurance processes.

Switch

- (Telephone switch) Synonymous of Telephone Exchange, i.e. network equipment used to set up and route telephone calls to the number called possibly through other switches. They may also record information for billing and control purposes;

- (Network switch) Data networking equipment able to receive and forward packets using information at layer 2 of OSI (Open Systems Interconnection) model (i.e. hardware addresses of other equipment).

Synchronous

Type of data transmission in which there is permanent synchronization between the transmitter and receiver.

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.

TAL (Tele Alimentation for Remote Power Feeding)

Technique for power feeding roadside network equipment (such as ultrabroadband equipment located in street cabinets in Fiber to the Cabinet architecture) from the local exchange.

TCO (Total Cost of Ownership)

The TCO represents the global cost of an asset (e.g. an IT equipment) during its life cycle. The TCO takes into account both direct costs (hardware costs, network infrastructure, licenses) and indirect costs (management, maintenance, energy consumption).

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.

TIC (Transparent Internet Caching):

Transparent caching is a special form of network caching, transparent for both the requesting and requested entities. The transparent caching node intercepts transparently the content request and delivers the requested content if its cache has a copy of it.

TM Forum Tele Management Forum

TM Forum is a global industry association within the Telecoms industry made of 850+ global companies working together to break down technology and cultural barriers between digital service providers, technology suppliers, consultancies and systems integrators.

ToIP (Telephony over IP)

The term is often used as synonymous of VoIP, however it has a wider meaning since it includes advanced telephony services (such as video, messaging, possibly some call handling, etc) beyond the basic voice communication.

TRX

Radio transceivers located in BTS.

TTM 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).

Ultrabroadband or UBB

Includes all network technologies that offer connectivity from 30Mbit/s to over 1Gbit/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 ultra-broadband: includes access technologies that involve the use of optical fiber, known as FTTx.

- Mobile ultra-broadband: refers to the use of the HSPA mobile network (evolution of the 3G network), LTE and its evolutions and the 5G network.

URLLC (Ultra-Reliable Low-Latency Communication)

URLLC is a set of features that provide low latency and ultra-high reliability for mission critical applications such as industrial Internet, smart grids, remote surgery and intelligent transportation systems.

UMTS (Universal Mobile Telecommunications System)

See 3G.

Unavailability (U)

It is the probability of an object not being able to perform a required function under certain operating conditions and at a given instant of time.

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.

UPF 5G (User Plane Function)

The 5G User Plane Function (UPF) is a fundamental component of the 3GPP’s New Radio (NR) mobile core infrastructure system architecture. The UPF represents the data plane evolution of a Control and User Plane Separation (CUPS) strategy, first introduced as an extension to existing 4G/LTE Evolved Packet Cores (EPCs) by the 3GPP in their Release 14 specifications.

UPS (Uninterruptible Power Supply)

Electrical equipment that provides continuous powering to users in case of power outage.

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, meteo, 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.

VDSL2 (Very - high – data – rate Digital Subscriber Line 2)

“2nd generation” VDSL, able to achieve downstream speed in the range of hundreds of Mbps. Actual data rate however is largely dependent upon the distance between customer equipment and network equipment, e.g. for distances of some hundred meters the achievable rate is about 100 Mbps. For this reason, network equipment is typically located in street cabinets, so to be closer to customers. A VDSL2 evolution named eVDSL (enhanced VDSL) yields achievable rates around 200 Mbps; it has been recently deployed in TIM network.

Vectoring

Transmission technology that removes mutual interference (crosstalk) between copper lines bundled in the same cable. Of particular interest is the use on VDSL / VDSL2 / eVDSL lines in view of the growing penetration of ultrabroadband services, which would make interference more perceptible. In this perspective, the use of vectoring allows to maintain the typical performances of the aforementioned technologies. The technology is placed in the ONU apparatus where to be effective it is applied on all the lines of a cable; this means that in case of SLU (Sub Loop Unbundling), that is the presence of ONUs of several operators serving the lines of the same cable, a more complex implementation is required, the MOV (Multi-Operator Vectoring) that coordinates the vectoring of the different ONUs.

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.

Virtual Machine (VM)

It is an isolated, digital instance of a computer—its operating system, applications, and memory— without the underlying hardware that allows organizations to scale compute power, test malware, and develop software.

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.

VLR (Visitor Location Register)

A database that is used in mobile networks to temporarily store subscriber information and track the location of mobile devices when they are available

VNF (Virtual Network Function)

Virtualized network functionality on HW COTS (Commercial Off The Shelf), hosted on Data Center, flexible capacity, use of Virtual Machine and manual or automatic Life Cycle Management.

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 know 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.

VoNR (Voice over New Radio)

Service that provides voice calls over IP via New Radio access.

VPN (Virtual Private Network)

A network designed for a business customer or government agency, using the infrastructures of a carrier and providing customized services, and which operates in such a manner as to appear dedicated to the user thereof.

VR (Virtual Reality)

Virtual Reality, or VR, is the use of computer technology to create a simulated environment which can be explored in 360 degrees. Unlike traditional interfaces, VR places the user inside the virtual environment to offer an experience with different degrees of immersion depending on the device used.

VRAN (Virtual Radio Access Network)

It is an architecture applied in 4G/5G networks which implies a split of the Base Station between a Centralized Unit and a Remote or Distributed Unit. The CU is typically placed in a more centralized site than antennas and deals with baseband signal processing, so also the terminology BBU (BaseBand Unit) is used, while the Remote Unit is left at antenna sites to provide radio coverage and is also termed RRU (Remote Radio Unit). Given this split the CUs may be implemented as Virtual Network Functions on a suitable hardware infrastructure, from which the 'virtual' title.

For the viability of the architecture a key issue is the choice of the partition of Base Station functions between CUs and DUs, which affects the requirements on communication links CU-DU (referred to as midhaul). In the 5G development efforts this issue has been addressed by identifying split options that are candidate for standardization.

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.

W3C World Wide Web Consortium

The World Wide Web Consortium (W3C) is the main international standards organization for the World Wide Web. W3C's standards define key parts of what makes the World Wide Web work.

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).

WEEE (Waste Electrical and Electronic Equipment)

Waste from electrical and electronic equipment which the holder intends to dispose of as it is faulty, unused or obsolete.

White, gray and black areas

The distinction between white, gray 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 Community 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;

- gray 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).

Wi – Max (Worldwide Interoperability for Microwave Access)

A technology that allows wireless access to broadband telecommunications networks, initially defined in order to work on ranges up to tens of kilometers and speed in the tens of Mbps. It was defined by the Wi—MAX Forum, a global consortium formed in 2001 that brings together major companies in the field of fixed and mobile telecommunications and whose purpose is to develop, test and promote the interoperability of systems based on IEEE standards.

WDM (Wavelength Division Multiplexing)

Technology by means of which it is possible to transport on a single optical fiber different flows of information which correspond to distinct and separable wavelengths.

WLL (Wireless Local Loop)

The means of providing a local loop equivalent (e.g. connection from customer premises to local exchange) without the use of wiring, resorting instead to wireless technologies.

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.

WTTX (Wireless To The X)

WTTx is a 4G and 4.5G-based broadband access solution, which uses wireless to provide fiber-like broadband access for household.

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.

XR (eXtended Reality)

Extension of reality through devices that enable AR, VR, MR and all their combinations.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED 31 MARCH 2023

1. Statements F-1
2. Separate Consolidated Income Statements F-1
3. Consolidated Statements of Comprehensive Income F-2
4. Consolidated Statements of Financial Position F-3
5. Consolidated Statements of Cash Flows F-5
6. Consolidated Statements of Changes in Equity F-7
7. Net Financial Debt F-8
8. Changes in Adjusted Net Financial Debt F-9
9. Complex Contracts F-10
10. Information by Operating Segments F-11
11. Headcount F-12
12. Effects of non-recurring events and transactions on each item of the Separate Consolidated Income Statements F-13
13. Debt structure, bond issues and maturing bonds F-14
14. Disputes and pending legal actions F-16
15. Alternative Performance Measures F-25

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2022

1. Consolidated Statements of Financial Position F-28
2. Separate Consolidated Income Statement F-30
3. Consolidated Statements of Comprehensive Income F-31
4. Consolidated Statements of Changes in Equity F-32
5. Consolidated Statements of Cash Flows F-33
6. Note 1 Form, content and other general information F-35
7. Note 2 Accounting policies F-37
8. Note 3 Scope of consolidation F-50
9. Note 4 Business combinations F-52
10. Note 5 Goodwill F-54
11. Note 6 Intangible assets with a finite useful life F-57
12. Note 7 Tangible assets F-59
13. Note 8 Rights of use assets F-61
14. Note 9 Investments F-62
15. Note 10 Non-current and current financial assets F-65
16. Note 11 Miscellaneous receivables and other non-current assets F-66
17. Note 12 Income tax expense (current and deferred) F-68
18. Note 13 Inventories F-71
19. Note 14 Trade and miscellaneous receivables and other current assets F-72
20. Note 15 Equity F-74
21. Note 16 Non-current and current financial liabilities F-77
22. Note 17 Net financial debt F-82
23. Note 18 Financial risk management F-84
24. Note 19 Derivatives F-88
25. Note 20 Supplementary disclosures on financial instruments F-93
26. Note 21 Employee benefits F-98
27. Note 22 Provisions F-100

28. Note 23 Miscellaneous payables and other non-current liabilities F-101
29. Note 24 Trade and miscellaneous payables and other current liabilities F-102
30. Note 25 Disputes and pending legal actions, other information, commitments and guarantees F-103
31. Note 26 Revenues........ F-118
32. Note 27 Other income F-118
33. Note 28 Acquisition of goods and services........ F-119
34. Note 29 Employee benefits expenses F-119
35. Note 30 Other operating expenses........ F-120
36. Note 31 Internally generated assets F-120
37. Note 32 Depreciation and amortization F-121
38. Note 33 Gains/(losses) on disposals of non-current assets........ F-121
39. Note 34 Impairment reversals (losses) on non-current assets F-122
40. Note 35 Other income (expenses) from investments F-122
41. Note 36 Finance income and expenses F-123
42. Note 37 Profit (loss) for the year F-124
43. Note 38 Earnings per share........ F-125
44. Note 39 Segment reporting........ F-127
45. Note 40 Related-party transactions........ F-130
46. Note 41 Equity compensation plans F-143
47. Note 42 Significant non-recurring events and transactions........ F-147
48. Note 43 Positions or transactions resulting from atypical and/or unusual operations F-148
49. Note 44 Other information F-149
50. Note 45 Events subsequent to 31 December 2022........ F-151
51. Note 46 List of companies of the TIM Group F-153
52. Certification of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation 11971 dated 14 May 1999, as amended F-157
53. Independent Auditors' Report F-158

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2021

1. Consolidated Statements of Financial Position........ F-169
2. Separate Consolidated Income Statement F-171
3. Consolidated Statements of Comprehensive Income F-172
4. Consolidated Statements of Changes in Equity F-173
5. Consolidated Statements of Cash Flows F-174
6. Note 1 Form, content and other general information F-176
7. Note 2 Accounting policies F-178
8. Note 3 Scope of consolidation........ F-192
9. Note 4 Goodwill........ F-195
10. Note 5 Intangible assets with a finite useful life F-197
11. Note 6 Tangible assets........ F-199
12. Note 7 Rights of use assets........ F-201
13. Note 8 Investments........ F-203
14. Note 9 Non-current and current financial assets F-205
15. Note 10 Miscellaneous receivables and other non-current assets F-207
16. Note 11 Income tax expense (current and deferred) F-208
17. Note 12 Inventories........ F-212
18. Note 13 Trade and miscellaneous receivables and other current assets F-213
19. Note 14 Equity F-215
20. Note 15 Non-current and current financial liabilities........ F-218

21. Note 16 Net financial debt F-224
22. Note 17 Financial risk management F-226
23. Note 18 Derivatives F-231
24. Note 19 Supplementary disclosures on financial instruments F-235
25. Note 20 Provisions for employee benefits F-240
26. Note 21 Provisions F-243
27. Note 22 Miscellaneous payables and other non-current liabilities F-244
28. Note 23 Trade and miscellaneous payables and other current liabilities F-245
29. Note 24 Disputes and pending legal actions, other information, commitments and guarantees F-247
30. Note 25 Revenues F-262
31. Note 26 Other income F-262
32. Note 27 Acquisition of goods and services F-263
33. Note 28 Employee benefits expenses F-264
34. Note 29 Other operating expenses F-265
35. Note 30 Internally generated assets F-265
36. Note 31 Depreciation and amortization F-266
37. Note 32 Gains/(losses) on disposals of non-current assets F-266
38. Note 33 Impairment reversals (losses) on non-current assets F-267
39. Note 34 Other income (expenses) from investments F-267
40. Note 35 Finance income and expenses F-268
41. Note 36 Profit (loss) for the year F-270
42. Note 37 Earnings per share F-271
43. Note 38 Segment reporting F-274
44. Note 39 Related-party transactions F-277
45. Note 40 Equity compensation plans F-288
46. Note 41 Significant non-recurring events and transactions F-292
47. Note 42 Positions or transactions resulting from atypical and/or unusual operations F-293
48. Note 43 Other information F-294
49. Note 44 Events subsequent to 31 December 2021 .... F-296
50. Note 45 List of companies of the TIM Group F-297
51. Certification of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation 11971 dated 14 May 1999, as amended F-301
52. Independent Auditors’ Report F-302

TIM GROUP – STATEMENTS

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

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2022, to which reference should be made, except for the amendments to the standards issued by the IASB and in force as of January 1, 2023.

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(million euros)	1st Quarter 2023	1st Quarter 2022	Changes	
			(a-b)	
	(a)	(b)	absolute	%
Revenues	**3,847**	**3,644**	**203**	**5.6**
Other income	37	37	—	—
Total operating revenues and other income	**3,884**	**3,681**	**203**	**5.5**
Acquisition of goods and services	(1,756)	(1,620)	(136)	(8.4)
Employee benefits expenses	(1,089)	(731)	(358)	(49.0)
Other operating expenses	(181)	(168)	(13)	(7.7)
Change in inventories	41	20	21	—
Internally generated assets	140	134	6	4.5
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**1,039**	**1,316**	**(277)**	**(21.0)**
Depreciation and amortization	(1,201)	(1,107)	(94)	(8.5)
Gains (losses) on disposals of non-current assets	—	—	—	—
Impairment reversals (losses) on non-current assets	—	—	—	—
Operating profit (loss) (EBIT)	**(162)**	**209**	**(371)**	**—**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(4)	16	(20)	—
Other income (expenses) from investments	—	—	—	—
Finance income	322	325	(3)	(0.9)
Finance expenses	(693)	(642)	(51)	(7.9)
Profit (loss) before tax from continuing operations	**(537)**	**(92)**	**(445)**	**—**
Income tax expense	(85)	(50)	(35)	(70.0)
Profit (loss) from continuing operations	**(622)**	**(142)**	**(480)**	**—**
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	**(622)**	**(142)**	**(480)**	**—**
Attributable to:				
Owners of the Parent	**(689)**	**(204)**	**(485)**	**—**
Non-controlling interests	67	62	5	8.1

TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(million euros)		1st Quarter 2023	1st Quarter 2022
Profit (loss) for the period	(a)	**(622)**	**(142)**
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		1	(2)
Income tax effect		—	—
	(b)	**1**	**(2)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		—	—
Income tax effect		—	—
	(c)	**—**	**—**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	**—**	**—**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(e=b+c+d)	**1**	**(2)**
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		1	(61)
Loss (profit) transferred to Separate Consolidated Income Statement		2	13
Income tax effect		—	1
	(f)	**3**	**(47)**
Hedging instruments:			
Profit (loss) from fair value adjustments		(18)	108
Loss (profit) transferred to Separate Consolidated Income Statement		105	(98)
Income tax effect		**(22)**	**(2)**
	(g)	**65**	**8**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		31	884
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	**31**	**884**
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)	**99**	**845**
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	**100**	**843**
Total comprehensive income (loss) for the period	(a+m)	**(522)**	**701**
Attributable to:			
Owners of the Parent		**(599)**	**366**
Non-controlling interests		77	335

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(million euros)		3/31/2023 (a)	12/31/2022 (b)	Changes (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		19,118	19,111	7
Intangible assets with a finite useful life		7,547	7,656	(109)
		26,665	**26,767**	**(102)**
Tangible assets				
Property, plant and equipment owned		**14,094**	**14,100**	**(6)**
Rights of use assets		**5,545**	**5,488**	**57**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		537	539	(2)
Other investments		111	116	(5)
Non-current financial receivables arising from lease contracts		48	49	(1)
Other non-current financial assets		1,649	1,602	47
Miscellaneous receivables and other non-current assets		2,395	2,365	30
Deferred tax assets		779	769	10
		5,519	**5,440**	**79**
Total Non-current assets	(a)	**51,823**	**51,795**	**28**
Current assets				
Inventories		363	322	41
Trade and miscellaneous receivables and other current assets		4,496	4,539	(43)
Current income tax receivables		145	147	(2)
Current financial assets				
Current financial receivables arising from lease contracts		*115*	*69*	*46*
Securities other than investments, other financial receivables and other current financial assets		*1,679*	*1,600*	*79*
Cash and cash equivalents		*2,660*	*3,555*	*(895)*
		4,454	**5,224**	**(770)**
Current assets sub-total		**9,458**	**10,232**	**(774)**
Discontinued operations /Non-current assets held for sale				
of a financial nature		—	—	—
of a non-financial nature		—	—	—
		—	**—**	**—**
Total Current assets	(b)	**9,458**	**10,232**	**(774)**
Total Assets	(b+a)	**61,281**	**62,027**	**(746)**

(million euros)		3/31/2023 (a)	12/31/2022 (b)	Changes (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		14,463	15,061	(598)
Non-controlling interests		3,706	3,664	42
Total Equity	(c)	**18,169**	**18,725**	**(556)**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		21,177	21,739	(562)
Non-current financial liabilities for lease contracts		4,684	4,597	87
Employee benefits		965	684	281
Deferred tax liabilities		172	84	88
Provisions		942	910	32
Miscellaneous payables and other non-current liabilities		1,103	1,146	(43)
Total Non-current liabilities	(d)	**29,043**	**29,160**	**(117)**
Current liabilities				
Current financial liabilities for financing contracts and others		5,163	5,039	124
Current financial liabilities for lease contracts		844	870	(26)
Trade and miscellaneous payables and other current liabilities		8,019	8,199	(180)
Income tax payables		43	34	9
Current liabilities sub-total		**14,069**	**14,142**	**(73)**
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)	**14,069**	**14,142**	**(73)**
Total Liabilities	(f=d+e)	**43,112**	**43,302**	**(190)**
Total Equity and Liabilities	(c+f)	**61,281**	**62,027**	**(746)**

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)		1st Quarter 2023	1st Quarter 2022
Cash flows from operating activities:			
Profit (loss) from continuing operations		(622)	(142)
Adjustments for:			
Depreciation and amortization		1,201	1,107
Impairment losses (reversals) on non-current assets (including investments)		1	7
Net change in deferred tax assets and liabilities		60	36
Losses (gains) realized on disposals of non-current assets (including investments)		—	—
Share of losses (profits) of associates and joint ventures accounted for using the equity method		4	(16)
Change in employee benefits		243	38
Change in inventories		(41)	(20)
Change in trade receivables and other net receivables		164	222
Change in trade payables		(504)	(277)
Net change in income tax receivables/payables		8	(2)
Net change in miscellaneous receivables/payables and other assets/liabilities		337	122
Cash flows from (used in) operating activities	**(a)**	**851**	**1,075**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(1,054)	(1,151)
Capital grants received		—	—
Acquisition of control of companies or other businesses, net of cash acquired		—	—
Acquisitions/disposals of other investments		(5)	(11)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(98)	405
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	—
Proceeds from sale/repayments of intangible, tangible and other non-current assets		2	1
Cash flows from (used in) investing activities	**(b)**	**(1,155)**	**(756)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(82)	(628)
Proceeds from non-current financial liabilities (including current portion)		850	—
Repayments of non-current financial liabilities (including current portion)		(1,323)	(3,431)
Change in hedging and non-hedging derivatives		(3)	(16)
Share capital proceeds/reimbursements (including subsidiaries)		—	—
Dividends paid		(38)	(26)
Changes in ownership interests in consolidated subsidiaries		—	—
Cash flows from (used in) financing activities	**(c)**	**(596)**	**(4,101)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**(900)**	**(3,782)**
Net cash and cash equivalents at beginning of the period	**(f)**	**3,555**	**6,904**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	4	144
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**2,659**	**3,266**

Purchases of intangible, tangible and rights of use assets

(million euros)	1st Quarter 2023	1st Quarter 2022
Purchase of intangible assets	(241)	(302)
Purchase of tangible assets	(571)	(617)
Purchase of rights of use assets	(335)	(268)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(1,147)	(1,187)
Change in payables arising from purchase of intangible, tangible and rights of use assets	93	36
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,054)	(1,151)

Additional Cash Flow information

(million euros)	1st Quarter 2023	1st Quarter 2022
Income taxes (paid) received	(28)	2
Interest expense paid	(510)	(470)
Interest income received	113	129
Dividends received	—	—

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Quarter 2023	1st Quarter 2022
Net cash and cash equivalents at beginning of the period:		
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 period:		
Cash and cash equivalents - from continuing operations	2,660	3,272
Bank overdrafts repayable on demand – from continuing operations	(1)	(6)
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	—	—
	2,659	**3,266**

TIM GROUP - CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2022 to March 31, 2022

	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 (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total**	**Non-controlling interests**	**Total Equity**
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 period:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	(11)	**(11)**
Total comprehensive income (loss) for the period	—	—	(49)	8	611	—	—	(204)	**366**	335	**701**
Issue of equity instruments	—	—	—	—	—	—	—	4	**4**	—	**4**
Other changes	—	—	—	—	—	—	—	2	**2**	—	**2**
Balance at March 31, 2022	**11,614**	**2,133**	**—**	**(120)**	**(1,889)**	**(130)**	**—**	**6,178**	**17,786**	**4,949**	**22,735**

Changes from January 1, 2023 to March 31, 2023

	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 (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total**	**Non-controlling interests**	**Total Equity**
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 period:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	(36)	**(36)**
Total comprehensive income (loss) for the period	—	—	4	65	21	—	—	(689)	**(599)**	77	**(522)**
LTI granting of treasury shares	6	—	—	—	—	—	—	(6)	**—**	—	**—**
Other changes	—	—	—	—	—	—	—	1	**1**	1	**2**
Balance at March 31, 2023	**11,620**	**2,133**	**(54)**	**130**	**(2,064)**	**(71)**	**—**	**2,769**	**14,463**	**3,706**	**18,169**

TIM GROUP - NET FINANCIAL DEBT

(million euros)	3/31/2023 (a)	12/31/2022 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	15,253	15,259	(6)
Amounts due to banks, other financial payables and liabilities	5,924	6,480	(556)
Non-current financial liabilities for lease contracts	4,684	4,597	87
	25,861	**26,336**	**(475)**
Current financial liabilities (*)			
Bonds	2,478	2,799	(321)
Amounts due to banks, other financial payables and liabilities	2,685	2,240	445
Current financial liabilities for lease contracts	844	870	(26)
	6,007	**5,909**	**98**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	**31,868**	**32,245**	**(377)**
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(48)	(49)	1
Financial receivables and other non-current financial assets	(1,649)	(1,602)	(47)
	(1,697)	**(1,651)**	**(46)**
Current financial assets			
Securities other than investments	(1,491)	(1,446)	(45)
Current financial receivables arising from lease contracts	(115)	(69)	(46)
Financial receivables and other current financial assets	(188)	(154)	(34)
Cash and cash equivalents	(2,660)	(3,555)	895
	(4,454)	**(5,224)**	**770**
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	**(6,151)**	**(6,875)**	**724**
Net financial debt carrying amount	**25,717**	**25,370**	**347**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*103*	*(6)*	*109*
Adjusted Net Financial Debt	**25,820**	**25,364**	**456**
Breakdown as follows:			
Total adjusted gross financial debt	**31,287**	**31,682**	**(395)**
Total adjusted financial assets	**(5,467)**	**(6,318)**	**851**
(*) of which current portion of medium/long-term debt:			
Bonds	*2,478*	*2,799*	*(321)*
Amounts due to banks, other financial payables and liabilities	*1,668*	*1,139*	*529*
Current financial liabilities for lease contracts	*817*	*856*	*(39)*

TIM GROUP - CHANGE IN ADJUSTED NET FINANCIAL DEBT

(million euros)	1st Quarter 2023 (a)	1st Quarter 2022 (b)	Change (a-b)
EBITDA	1,039	1,316	(277)
Capital expenditures on an accrual basis	(837)	(932)	95
Change in net operating working capital:	(157)	(91)	(66)
Change in inventories	*(41)*	*(20)*	*(21)*
Change in trade receivables and other net receivables	*164*	*222*	*(58)*
Change in trade payables	*(722)*	*(311)*	*(411)*
Change in payables for mobile telephone licenses / spectrum	—	*(186)*	*186*
Other changes in operating receivables/payables	*442*	*204*	*238*
Change in employee benefits	243	38	205
Change in operating provisions and Other changes	10	(27)	37
Net operating free cash flow	**298**	**304**	**(6)**
% of Revenues	*7.7*	*8.3*	*(0.6)pp*
Sale of investments and other disposals flow	2	1	1
Share capital increases/reimbursements, including incidental expenses	—	—	—
Financial investments	(5)	(11)	6
Dividends payment	(38)	(26)	(12)
Increases in lease contracts	(310)	(255)	(55)
Finance expenses, income taxes and other net non-operating requirements flow	(403)	(465)	62
Reduction/(Increase) in adjusted net financial debt from continuing operations	**(456)**	**(452)**	**(4)**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	**—**	—	—
Reduction/(Increase) in adjusted net financial debt	**(456)**	**(452)**	**(4)**

Equity Free Cash Flow

(million euros)	1st Quarter 2023	1st Quarter 2022	Change
Reduction/(Increase) in adjusted net financial debt from continuing operations	**(456)**	**(452)**	**(4)**
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	296	530	(234)
Payment of TLC licenses and for the use of frequencies	—	186	(186)
Financial impact of acquisitions and/or disposals of investments	5	11	(6)
Dividend payment and Change in Equity	38	26	12
Equity Free Cash Flow	**(117)**	**301**	**(418)**

TIM GROUP - COMPLEX CONTRACTS

As part of a process aiming to ensure the identification and definition of the initiatives for the evolution of the internal control system for the management of corporate risks, in 2022, the TIM Group instituted a Technical Committee to supervise complex contracts (the “Technical Committee").

The Technical Committee defined:

- the objective criteria on which basis to classify a contract as a “complex contract”;
- the procedure for the assessment and authorization of complex contracts, which envisages the involvement of multiple subjects and competences able to assess the different risk profiles (board decision-making process);
- the update of the policy regulating the process for formalizing contracts in the Group contracts, envisaging a clear identification and formalization of the reasoning behind the decision-making process to assign complex contracts as well as the related escalation mechanisms, thus strengthening the process for identifying and reconstructing sources, information elements and controls performed.

During 2021, some contracts for the supply of multimedia contents in connection with the current partnerships, including that between TIM and DAZN, have highlighted a comprehensive negative margin throughout the entire contract duration, with the need to make a provision for a total of 548 million euros for posting a contractual risk provision for onerous contracts at December 31, 2021.

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 use of the Contractual risk provision for onerous contracts 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).

The Provision for contractual risks for onerous contracts at March 31, 2023 came to 247 million euros.

Below are:

- the amount used in the first quarter of the Provision for risks to cover the negative margin;
- the amount of the total organic margins (organic EBITDA) without using the risk provision for onerous contracts.

(million euros)	TIM Group		Domestic Business Unit	
	1st Quarter 2023	1st Quarter 2022	1st Quarter 2023	1st Quarter 2022
ORGANIC EBITDA (including use of the risk provision for onerous contracts)	**1,459**	**1,406**	**1,000**	**1,029**
- Use of the risk provision for onerous contracts to cover the negative margin	(8)	(15)	(8)	(15)
ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)	**1,451**	**1,391**	**992**	**1,014**

The amount of 8 million euros is the negative margin, for which the provision was used.

From a financial viewpoint, the negative margin covered by the Risks Provision has an equal impact on the Net Financial Position and cash flows.

With reference to the multi-year contracts, which in some cases require TIM to pay the counterparty prices by way of guaranteed minimum, it should be recalled that the valuation of these contracts and the estimation of the associated costs is subject to numerous uncertainties that include, amongst others, market dynamics, rulings by the market regulatory authorities and the development of new technologies in support of the service. These estimates are revised from time to time on the basis of the final data in order to make sure that the provisional figures remain within the reasonably foreseeable range. Not all the factors mentioned are under the company’s control hence they could have a significant impact on future forecasts regarding the performance of the contracts, the estimated amount of (positive or negative) margins and the cash flows that are generated.

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

Domestic

(million euros)	1st Quarter 2023	1st Quarter 2022	Changes (a-b)		
	(a)	(b)	absolute	%	% organic excluding non-recurring
Revenues	2,843	2,846	(3)	(0.1)	(0.2)
EBITDA	582	962	(380)	(39.5)	(2.8)
% of Revenues	*20.5*	*33.8*		*(13.3)pp*	*(0.9)pp*
EBIT	(303)	92	(395)	—	(27.7)
% of Revenues	*(10.7)*	*3.2*		*(13.9)pp*	*(1.6)pp*
Headcount at period end (number) (°)	40,906	(*)40,984	(78)	(0.2)	

(°) Includes 38 agency contract workers at March 31, 2023 (15 at December 31, 2022).
(*) Headcount at December 31, 2022.

Fixed

	3/31/2023	12/31/2022	3/31/2022
Total TIM Retail accesses (thousands)	8,216	8,290	8,539
of which NGN [1]	5,487	5,417	5,244
Total TIM Wholesale accesses (thousands)	7,453	7,525	7,729
of which NGN	5,206	5,171	4,997
Active TIM Retail Broadband accesses (thousands)	7,379	7,443	7,643
Consumer ARPU (€/month) [2]	27.3	28.3	28.4
Broadband ARPU (€/month) [3]	34.5	35.6	33.0

[1] Ultrabroadband access in FTTx and FWA mode, also including “data only” lines and GBE (Gigabit Ethernet).
[2] Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
[3] Revenues from organic Broadband services in proportion to the average active TIM retail Broadband accesses.

Mobile

	3/31/2023	12/31/2022	3/31/2022
Lines at period end (thousands)	30,201	30,407	30,395
of which Human	*18,297*	*18,438*	*18,799*
Churn rate (%) [4]	3.7	13.3	3.7
Broadband users (thousands) [5]	12,584	12,577	12,717
Retail ARPU (€/month) [6]	6.7	7.1	7.0
Human ARPU (€/month) [7]	11.1	11.5	11.3

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

Brazil

	(million euros)		(million Brazilian reais)				
	1st Quarter 2023	1st Quarter 2022	1st Quarter 2023	1st Quarter 2022	Changes		
					absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,012	806	5,640	4,727	913	19.3	19.3
EBITDA	459	356	2,559	2,091	468	22.4	21.8
% of Revenues	*45.4*	*44.2*	*45.4*	*44.2*		*1.2pp*	*0.9pp*
EBIT	143	120	796	703	93	13.2	11.9
% of Revenues	*14.1*	*14.9*	*14.1*	*14.9*		*(0.8)pp*	*(1.0)pp*
Headcount at period end (number)			9,424	(°)9,395	29	0.3	

(°) Headcount at December 31, 2022.

TIM GROUP - HEADCOUNT

Average salaried workforce

(equivalent number)	1st Quarter 2023	Year 2022	1st Quarter 2022	Change
	(a)	(b)	(c)	(a-c)
Average salaried workforce – Italy	34,746	36,866	37,018	(2,272)
Average salaried workforce – Outside Italy	9,243	9,046	8,956	287
Total average salaried workforce [1]	**43,989**	**45,912**	**45,974**	**(1,985)**

[1] Includes agency contract workers: an average of 30 employees in Italy in the first quarter of 2023; an average of 15 employees in Italy in 2022; an average of 9 employees in the first quarter of 2022.

Headcount at period end

(number)	3/31/2023	12/31/2022	3/31/2022	Change
	(a)	(b)	(c)	(a-b)
Headcount – Italy	40,671	40,752	42,538	(81)
Headcount – Outside Italy	9,672	9,640	9,365	32
Total headcount at period end [1]	**50,343**	**50,392**	**51,903**	**(49)**

[1] Includes agency contract workers: 38 employees in Italy at 3/31/2023; 15 employees in Italy at 12/31/2022; 10 employees in Italy at 3/31/2022.

Headcount at period end – Breakdown by Business Unit

(number)	3/31/2023	12/31/2022	3/31/2022	Change
	(a)	(b)	(c)	(a-b)
Domestic	40,906	40,984	42,782	(78)
Brazil	9,424	9,395	9,109	29
Other Operations	13	13	12	—
Total	**50,343**	**50,392**	**51,903**	**(49)**

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

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

(million euros)	1st Quarter 2023	1st Quarter 2022
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(4)	(5)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(416)	(60)
Other operating expenses:		
Other expenses and provisions	—	(6)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(420)**	**(71)**
Impact on Operating profit (loss) (EBIT)	**(420)**	**(71)**
Finance expenses:		
Other finance expenses	(9)	(1)
Impact on profit (loss) before tax from continuing operations	**(429)**	**(72)**
Income tax expense on non-recurring items	2	19
Impact on profit (loss) for the period	**(427)**	**(53)**

TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND MATURING BONDS

Revolving Credit Facility and Term Loan

The following table shows committed credit lines(*) available at March 31, 2023:

(billion euros)	3/31/2023		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).

Bonds
The change in bonds in the first quarter of 2023 was as follows:

(millions of original currency)	Currency	Amount	Issue date
New issues			
TIM S.p.A. 850 million euros 6.875%	Euro	850	1/27/2023

(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

Moreover, on April 12, 2023, TIM successfully completed the 400 million euro tap issue of the bond issued on January 27, 2023 (coupon interest of 6.875% and maturing on February 15, 2028) ('Tap Issue').

The nominal repayment amount, net of the Group's bonds buyback, related to the bonds maturing in the 18 months following March 31, 2023 issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) totals 4,806 million euros, as detailed below:

- 427 million euros (equivalent-value 375 GBP), due May 19, 2023;
- 1,000 million euros, due July 19, 2023;
- 750 million euros, due January 19, 2024;
- 1,250 million euros, due April 11, 2024;
- 1,379 million euros (equivalent-value 1,500 USD), due May 30, 2024.

Bonds issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom ltalia 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 March 31, 2023 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 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. 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 March 31, 2023, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

TIM GROUP - DISPUTES AND PENDING LEGAL ACTIONS

A description is provided below of the most significant court, arbitration and tax disputes involving TIM Group companies and pending at March 31, 2023, as well as those that came to an end during the period.

The TIM Group has posted liabilities totaling 271 million euros for those disputes described below where the risk of losing the case has been considered probable.

It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Financial Information at March 31, 2023, 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

No significant events occurred for the following disputes and legal actions compared to what was published in the 2022 Annual Financial Report:

- Golden Power Case;
- Colt Technology Services, Eutelia and Clouditalia Telecomunicazioni disputes (connected with the Antitrust Case A428);
- Antitrust Case A514, I820, A556;
- Open Fiber disputes (connected with case A514);
- Poste;
- Brazil – Opportunity Arbitration;
- Iliad (winback);
- Fastweb (Ethernet ATM migration).

International tax and regulatory disputes

At March 31, 2023, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 18.2 billion reais (18.2 billion reais at December 31, 2022), corresponding to approximately 3.3 billion euros at March 31, 2023. The main types of dispute 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 9.8 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 1.6 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 3.7 billion reais (3.7 billion reais at December 31, 2022).

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 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. On April 11, 2023, KPNQWest, now Comm 3000, lodged an appeal with the Council of State against the ruling of the Regional Administrative Court.

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 hearing in chambers has been scheduled for June 13, 2023.

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 public hearing for the examination of the evidence has been scheduled for October 5, 2023.

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 Eutalia 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 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. On the request of the appellants, at the hearing of February 16, 2023, public discussion was ruled, for which a date has not yet been scheduled.

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. TIM has appealed the judgment before the Council of State and discussion of the case has been deferred 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 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 (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.

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, 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 given on April 14, 2023, the Regional Administrative Court declared Open Fiber's petition to be lacking in grounds and consequently rejected it.

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 filed its defense brief last March 28, while the final hearing before the authority was held on April 4, 2023.

Antitrust Case PS 12304 "Post-withdrawal 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. On March 31, 2023, the authority resolved to conclude the proceedings, applying a sanction of 200 thousand euros insofar as the remedial action taken by TIM was considered positively when quantifying the sanction. Similar proceedings have been 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, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 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 April 27, 2023. Upon completion of the hearing of April 4, the related proceedings were reserved for decision. On April 18, the Council of State issued a board order whereby it submitted some prejudicial matters to the EU Court of Justice.

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, which, with judgment 3318/2023, was declared inadmissible.

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.

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 direction and coordination 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 made a ruling of inadmissible of the petition for Elinet Bankruptcy and Elitel Telecom Bankruptcy, ordering the two bankruptcies to jointly repay TIM the costs of the dispute. The events should therefore now be considered as definitively closed.

Iliad (restrictions of duration and costs of withdrawal)

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 case has been deferred for the ruling of the conclusions to the hearing of May 28, 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 first appearance was filed at the hearing held on April 05, 2023 and the Court reserved the objection of nullity of the writ of summons raised by TIM.

b) Other information

With reference to the cases listed below no significant facts have emerged with respect to that published in the 2022 Annual Financial Report:

- Mobile telephony - criminal proceedings;
- TIM S.A. - Arbitration proceedings no. 28/2021/SEC8;
- TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group mobile telephone assets.

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 on to 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 and is currently up for discussion.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the conventional financial performance measures established by IFRS, the TIM Group uses certain alternative performance measures in its internal presentations (business plan) and in external presentations (to analysts and investors) for the purposes of enabling a better understanding of the performance of its operations and its financial position. These indicators in fact represent a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS. As these measurements are not defined by the IFRSs, their calculation may differ from the alternative indicators published by other companies. This is why comparability between companies may be limited.

The alternative performance measures normally used are described below:

- **EBITDA**: this indicator is used by TIM as the financial target, in addition to the **EBIT**. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of 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 items".
- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful indicator of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively.
- **Net Financial Debt**: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The TIM Group presents a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

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

Net financial debt is calculated as follows:

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

- **Equity Free Cash Flow (EFCF)**: this financial measure 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).

The Equity Free Cash Flow measure 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 TLC licenses)**: this financial measure represents the capital expenditures made net of investments for competence relating to TLC licenses for the use of frequencies.
- **Operating free cash flow (OFCF) and operating free cash flow (net of licenses)**: these financial measures represent the cash flow available to repay the debt (including lease payables) and cover any financial investments and, in the case of OFCF, payments of licenses and frequencies.

Operating free cash flow and operating free cash flow (net of licenses) are calculated as follows:

	EBITDA
-	Capital expenditures on an accrual basis
+/-	Change in net operating working capital (Change in inventories, Change in trade receivables and other net receivables, Change in trade payables, Change in payables for mobile telephone licenses/spectrum, Other changes in operating receivables/payables, Change in employee benefits, Change in 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)

Alternative performance measures after lease

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

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

+	Equity Free Cash Flow
-	Principal share of lease payments

This measure is a useful indicator of the ability to generate Free Cash Flow.

TIM

LA FORZA DELLE CONNESSIONI

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)				
Current financial receivables arising from lease contracts			*69*	*11*	*56*	—
Securities other than investments, other financial receivables and other current financial assets			*1,600*	—	*2,391*	—
Cash and cash equivalents			*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**	
of which: impact of non-recurring items	42)	*(682)*		*(1,143)*	
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)**	
of which: impact of non-recurring items	42)	*(682)*		*(5,263)*	
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)**	
of which: impact of non-recurring items	42)	*(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	37)	**(2,654)**		**(8,400)**	
of which: impact of non-recurring items	42)	*(2,437)*		*(8,653)*	
Attributable to:					
Owners of the Parent		**(2,925)**		**(8,652)**	
Non-controlling interests		271		252	

(euros)		Year 2022	Year 2021
Earnings per share:	38)		
Basic and Diluted Earnings Per Share (EPS)			
Ordinary Share		(0.14)	(0.40)
Savings Share		(0.14)	(0.40)
of which:			
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

	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 (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	**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**

Changes from January 1, 2022 to December 31, 2022 Note 15

	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 (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	**Total**	**Non-controlling interests**	**Total Equity**
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 though 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 form 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 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**

Companies:	12/31/2021 Italy	Outside Italy	Total
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**
of which Non-Controlling Interests	*2,321*	*2,129*

FiberCop S.p.A. - income data

(million euros)	2022	2021
Revenues	1,344	978
Profit (loss) for the year	**458**	**321**
of which Non-Controlling Interests	*192*	*135*

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**
of which Non-Controlling Interests	*1,545*	*1,345*

Income statement data TIM Brasil group

(million euros)	2022	2021
Revenues	3,963	2,840
Profit (loss) for the year	**289**	**455**
of which Non-Controlling Interests	*102*	*155*

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	Values at fair value
		(million euros) (*)	(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	Carrying amounts	Present values at fair value	Carrying amounts
		(million euros)(*)		(million Brazilian reais)	
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:

	12/31/2022			12/31/2021		
(million euros)	**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:

	12/31/2021			
(million euros)	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**

	12/31/2022			
(million euros)	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
Satispay 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**
Satispay 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**
Satispay 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:

	maturing by 12/31 of the year:						
(million euros)	2023	2024	2025	2026	2027	After 2027	Total
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 reclassifica-tions	
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:		**4,712**	**254**	**(708)**	**161**		**1,034**	**5,453**
	(b)	**4,712**	**254**	**(708)**	**161**	**—**	**1,034**	**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

	12/31/2022		12/31/2021	
(million euros)	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

	12/31/2022		12/31/2021	
(million euros)	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

		maturing by 12/31 of the year:						
(million euros)		2023	2024	2025	2026	2027	After 2027	Total
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:						
	2023	**2024**	**2025**	**2026**	**2027**	**After 2027**	**Total**
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	**Balance 12/31/2021**	**Change**				**Balance 12/31/2022**
(million euros)		**Hedging instrument gains / losses**	**Reversal from reclassification**	**Reversal from fair value adjustment of hedging settled in advance**	**Other**	
	(167)					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

				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.

				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 profit or loss	Level 1	Level 2	Level 3	Carrying amount under IFRS 16	Fair Value at 12/31/2022
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 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 12/31/2021

(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**

				Amounts recognized in financial statements			Levels of hierarchy or of fair value			
(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Carrying amount under IFRS 16	Fair Value at 12/31/2021
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**
of which:						
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 indemnities	**(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**
of which:						
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)**	**216**		**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 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 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, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 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**
of which, included in the supplementary disclosure on financial instruments	*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**
of which, included in the supplementary disclosure on financial instruments	*2*	*3*

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)**
of which, included in the supplementary disclosure on net financial instruments		*(1,142)*	*(936)*

(*) of which IFRS 9 impact:

(million euros)	2022	2021
Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*1*	*4*
Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*(7)*	*(1)*
Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI	*(6)*	*3*
Reversal of IFRS 9 impairment reserve on financial assets measured at FVTOCI	—	*5*
Impairment losses on financial assets other than investments	—	—

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

(million euros)	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**
of which: capital expenditures	*3,207*	*3,377*	*870*	*1,253*	—	—	—	—	*4,077*	*4,630*
of which: increases in lease/leasing contracts for rights of use assets	*348*	*226*	*484*	*441*	—	—	—	—	*832*	*667*

Headcount by Operating Segment

(number of units)	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

(million euros)	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

(million euros)		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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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**

[(*)] 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 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 CO_2 (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)**	**18,725**	**(2,654)**	**25,370**	**(3,309)**
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)**	**(2,437)**	**(371)**	**371**
Income/(Expenses) relating to Discontinued operations	**(c)**	**—**	**—**	**—**	**—**
Figurative amount – financial statements	**(a–b-c)**	**21,162**	**(217)**	**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 Bolíviano	**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.

	EY S.p.A.			Other entities of the EY network			
(euros)	TIM S.p.A.	Subsidiaries	TIM Group	TIM S.p.A.	Subsidiaries	TIM Group	Total EY network
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 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)	BORGO MAGGIORE (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)	BORGO 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 PARTIÇIPAÇÕES 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 PARTIÇIPAÇÕES 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. (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 S)	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 TELEKOMÜNIKASYON ANONIM SIRKETI (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 INFRAESTRUCTURA 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	**Manager Responsible for Preparing the Corporate Financial Reports**
/ signed /	/ signed /
Pietro Labriola	Adrian Calaza Noia

INDEPENDENT AUDITORS’ REPORT

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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 I820 proceeding, started by AGCM against TIM and other telco operators, to ascertain a possible conduct restricting market competition, (iii) the I857 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)				
Current financial receivables arising from lease contracts		*56*	—	*55*	—
Securities other than investments, other financial receivables and other current financial assets		*2,391*	—	*1,254*	—
Cash and cash equivalents		*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**	
of which: impact of non-recurring items	41)	*(1,143)*		*(324)*	
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**	
of which: impact of non-recurring items	41)	*(5,263)*		*(324)*	
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**	
of which: impact of non-recurring items	41)	*(5,144)*		*121*	
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**	
of which: impact of non-recurring items	41)	*(8,653)*		*6,048*	
Attributable to:					
Owners of the Parent		**(8,652)**		**7,224**	
Non-controlling interests		252		128	

(euros)		Year 2021	Year 2020
Earnings per share:	37)		
(Basic) Earnings per share			
Ordinary Share		(0.40)	0.34
Savings Share		(0.40)	0.35
of which:			
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
of which:			
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	**(a)**	**(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	**(e=b+c+d)**	**(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	**(k=f+g+h+i)**	**294**	**(1,517)**
Total other components of the Consolidated Statements of Comprehensive Income	**(m=e+k)**	**290**	**(1,516)**
Total comprehensive income (loss) for the year	**(a+m)**	**(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 though 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)**
Attributable to:			
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 FIBERCOP 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:

		12/31/2021	
Companies:	**Italy**	**Overseas**	**Total**
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**

		12/31/2020	
Companies:	**Italy**	**Overseas**	**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	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**	**—**
of which Non-Controlling Interests	*2,129*	—

FiberCop S.p.A. - income data

(million euros)	2021	2020
Revenues	978	—
Profit (loss) for the year	**321**	**—**
of which Non-Controlling Interests	*135*	—

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**
of which Non-Controlling Interests	*1,346*	*1,345*

Daphne 3 S.p.A. - income data

(million euros)	2021	2020
Revenues	—	—
Profit (loss) for the year	**86**	**—**
of which Non-Controlling Interests	*42*	—

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**
of which Non-Controlling Interests	*1,345*	*1,232*

Income statement data TIM Brasil group

(million euros)	2021	2020
Revenues	2,840	2,933
Profit (loss) for the year	**455**	**297**
of which Non-Controlling Interests	*155*	*104*

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:

		12/31/2021			12/31/2020	
(million euros)	**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	Useful life	Maturity	Amortization expense for 2021
	(million euros)	(years)		(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:

	12/31/2020			
(million euros)	**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**

	12/31/2021			
(million euros)	**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:

	12/31/2020			
(million euros)	**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:

	12/31/2020			
(million euros)	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**

	12/31/2021			
(million euros)	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	—
Satispay 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**
Satispay 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.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:

				of which overdue from:			
(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

				of which overdue from:			
(million euros)	**12/31/2020**	**of which non-**	**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:

	maturing by 12/31 of the year:						
(million euros)	2022	2023	2024	2025	2026	After 2026	Total
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	1324	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 Group[1]; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since 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	
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:		**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
Non-hedging derivative receivables	(h)	94			(46)	63	30	141
Total	(i=f-g-h)	**30,001**	**4,307**	**(3,072)**	**82**	**(159)**	**782**	**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)

	12/31/2021			12/31/2020		
(million euros)	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: 2022	2023	2024	2025	2026	After 2026	Total
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: 2022	2023	2024	2025	2026	After 2026	Total
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 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 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	**Balance 12/31/2020**	**Changes**				**Balance 12/31/2021**
(million euros)		**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

(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)	*6,90*	*6,904*							
Trade receivables		(13)	*2,6*	*2,675*							
Other current receivables		(13)	*1*	*101*							
Contract assets		(13)	*2*	*20*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,671**	**—**	**1,671**	**—**					**1,671**
Non-current assets											
Other investments		(8)	*15*		*156*		*—*	*114*	*42*		
Securities other than investments		(9)			*—*		*—*				
Current assets											
Trade receivables		(13)			*—*						
Securities other than investments		(9)	*1,5*		*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)	*10*			*100*		*100*	*—*		
Current assets											
Securities other than investments		(9)	*7*			*734*	*734*				
Non-hedging derivatives		(9)				*41*		*41*			
Hedging Derivatives	HD		**2,0**	**—**	**2,012**	**3**					**2,015**
Non-current assets											
Hedging Derivatives		(9)	*1,9*		*1,933*	*2*		*1,935*	*—*		
Current assets											
Hedging Derivatives		(9)	*8*		*79*	*1*		*80*	*—*		
Financial receivables for lease contracts	n.a.		**101**							**101**	**101**
Non-current assets		(9)								*45*	
Current assets		(9)	*5*							*56*	
Total			**14,7**	**10,115**	**3,683**	**878**	**2,249**	**2,270**	**42**	**101**	**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.

				Amounts recognized in financial statements			Levels of hierarchy or of fair value				
(million euros)	IFRS 9 categories	Notes	Carrying amount 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	Carrying amount under IFRS 16	Fair Value at 12/31/2021
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

				Amounts recognized in financial statements			Levels of hierarchy or of fair value				
(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2020	Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3	Carrying amount under IFRS 16	Fair Value at 12/31/2020
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**
of which:						
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**
of which:						
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)**	**168**		**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 Eutalia and Voiceplus proposed an appeal against the judgement 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 restitutio 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 an 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 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, 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, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. 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**	**2,639**

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**
of which, included in the supplementary disclosure on financial instruments	*305*	*423*

“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**
of which, included in the supplementary disclosure on financial instruments	*3*	*2*

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
Net fair value adjustments to fair value hedge derivatives and underlyings		(4)	3
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)**
of which, included in the supplementary disclosure on net financial instruments		*(936)*	*(876)*

(*) of which IFRS 9 impact:

(million euros)	2021	2020
Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*4*	*1*
Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*(1)*	*(2)*
Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI	*3*	*(1)*
Reversal of IFRS 9 impairment reserve on financial assets measured through FVTOCI	*5*	*1*
Impairment losses on financial assets other than investments	*—*	*—*

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**
of which: capital expenditures	*3,377*	*2,748*	*1253*	*661*	*—*	*—*	*—*	*—*	*4,630*	*3,409*
of which: increases in lease/leasing contracts for right of use assets	*226*	*781*	*441*	*507*	*—*	*—*	*—*	*—*	*667*	*1,288*

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

		Revenues				Non-current operating assets	
(million euros)		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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** **(b)**	% of financial statement item **(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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** **(b)**	% of financial statement item **(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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2020

(million euros)	**Total** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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 (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(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			
INWIT S.p.A.	7	376	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.
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 relatiing to information flows and devices through interbanking corporate banking (CBI) and puchase 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		Average exchange rates for the year	
		(statements of financial position)		(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.

	EY S.p.A.			Other entities of the EY network			
(euros)	TIM S.p.A..	Subsidiaries	TIM Group	TIM S.p.A..	Subsidiaries	TIM Group	Total EY network
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 Economica).

The decision follows the pronunciation 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	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)	BORGO MAGGIORE (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)	BORGO 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 PARTIÇIPAÇÕES 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 PARTIÇIPAÇÕES 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. (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 TELEKOMÜNIKASYON ANONIM SIRKETI (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	Manager Responsible for Preparing the Corporate Financial Reports
/ signed /	/ signed /
Pietro Labriola	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 them 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.

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TABLE OF CONTENTS

NOTICE TO INVESTORS i

PRESENTATION OF FINANCIAL AND OTHER INFORMATION vii

STABILISATION xiv

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS xv

CERTAIN DEFINED TERMS xviii

SUMMARY 1

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS 17

THE OFFERING 19

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION 25

RISK FACTORS 31

USE OF PROCEEDS 75

CAPITALISATION 76

THE ISSUER 77

BUSINESS OF THE TIM GROUP 78

INDUSTRY OVERVIEW 107

REGULATION 113

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 148

DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS 178

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS 179

CONDITIONS OF THE NOTES 188

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES 208

TAXATION 211

CERTAIN INSOLVENCY LAW CONSIDERATIONS 221

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS 271

GENERAL INFORMATION 275

APPENDIX A (GLOSSARY) 277

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS 312

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