

HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2023



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

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BOARD OF DIRECTORS

The following make up the TIM S.p.A. Board of Directors:

Chairman	Salvatore Rossi
Chief Executive Officer and General Manager	Pietro Labriola
Directors	Paolo Boccardelli (independent) Paola Bonomo (independent) Paola Camagni (independent) Maurizio Carli (independent) Cristiana Falcone (independent) Federico Ferro Luzzi (independent) Giulio Gallazzi (independent) Giovanni Gorno Tempini Marella Moretti (independent) Alessandro Pansa Ilaria Romagnoli (independent) Paola Sapienza (Lead Independent Director) Massimo Sarmi
Secretary to the Board	Agostino Nuzzolo

BOARD OF STATUTORY AUDITORS

Chairman	Francesco Fallacara
Standing Auditors	Angelo Rocco Bonissoni Francesca di Donato Anna Doro
Alternate Auditors	Massimo Gambini Ilaria Antonella Belluco Laura Fiordelisi Franco Maurizio Lagro Paolo Prandi

Independent Auditors EY S.p.A.

HIGHLIGHTS

The first half results, during which the stabilization and relaunch of the Domestic Business continued, as did the acceleration of the development of TIM Brasil, are fully in line with 2023 targets as disclosed to the market last February.

Performance in the second quarter of 2023

Group's total revenues were 4.0 billion euros (+2.8% YoY), Group service revenues came to 3.7 billion euros (+1.8% YoY) and Group EBITDA came to 1.6 billion euros (+5.6% YoY).

In the **Domestic Business**, total revenues recorded the first growth in 20 quarters (+0.6% YoY), at 2.9 billion euros. Service revenues came to 2.6 billion euros and are stabilizing, with a year-on-year difference of -0.9% (-2.4% YoY in the first quarter 2023). Fixed service revenues were stable (+0.2% YoY).

After 21 quarters, the EBITDA trend stabilized, recording a growth of 0.5% YoY, at 1.1 billion euros.

Cost containment actions to increase the level of TIM Domestic's structural efficiency continued ('Transformation Plan', cumulative target of cash cost reduction of 1.5 billion euros by 2024 versus the inertial trend). The reduction of cash cost with respect to the inertial trend was approximately 0.2 billion euros, around 25% of the incremental target set for 2023 (0.4 billion euros in the first half, around 50% of the incremental target).

TIM Brasil recorded service revenues increase by 9.5% to 1.1 billion euros and EBITDA net of non-recurring components up 17.3% to 0.5 billion euros.

Below is an update on the four Entities:

- **TIM Consumer** recorded total revenues and service revenues down respectively by 5.6% YoY and 4.9% YoY in the quarter, an improvement on the previous quarters. The "Volume-to-Value" strategy has been strengthened, with the progressive repositioning of TIM as a premium brand: selective price increases for existing fixed and mobile customers announced so far in 2023 are expected to generate revenue benefit of around 70 million euros in the year. A strong improvement was recorded in mobile: line losses dropped by 75% compared to the first quarter thanks to the higher number of activations and, above all, to the lower number of terminations. In "mobile number portability" (i.e. the migration to other operators) TIM posted the best result among infrastructure operators: after 5 years, TIM's net balance was back to positive at +5 thousand lines, while the reduction in the total volume at market level continued (-11%), showing the cooling of the competition in the high end of the market (high-spending customers). The balance of the fixed segment lines improved year on year. The fewer activations recorded compared to the first quarter were partly offset by a drop in line losses. Bad debt showed steady improvement, with a consequent reduction in the cost of credit. The "Customer-as-a-Platform" strategy has also been launched, aimed at offering a portfolio of services 'beyond-the-core' to increase the loyalty of the customer base and to generate new revenue flows.
- **TIM Enterprise** recorded an increase in total revenues and service revenues respectively by 1.1% YoY and 2.3% YoY in the quarter, slightly below the first quarter, mainly due to the reduction in connectivity volumes (traditional telephony). Below is the trend of service revenues during the first half:
 - Connectivity (-6% YoY)
 - Cloud (+13% YoY)
 - Other IT services (+8% YoY)
 - Security (+5% YoY)
 - IoT (-4% YoY)

As a whole, ICT services generated 58% of service revenues in the first half, in line with 2022.

Growth in service revenues in the last 12 months came to 7.3%.

The commercial pipeline has negotiations in progress for approximately 1 billion euros, also thanks to the National Strategic Hub (migration to the Cloud of Public Administrations).

- **NetCo** recorded total revenues and service revenues growing respectively by 7.8% YoY and 2.2% YoY, thanks to a better mix of technologies (from copper to fiber) and to the new 2023 regulated prices, following the final approval by the Italian Communications Authority (AGCom) effective from January 1. The decision represents a reversal of a ten-year trend of tariff reductions.

As regards operating performance, the roll-out of fiber is in line with 48% coverage target of technical units by 2025. At June 30, NetCo managed approximately 15.8 million fixed accesses (of which more than 70% in UBB technologies) with a market share of 79% and FTTx coverage of approximately 95% of active lines (approximately 61% with a speed of over 100 Mbps). The technical units covered by FTTH were 8.2 million, with a coverage of 34%, up by 6 percentage points compared to June 30, 2022.

As part of the National Recovery and Resilience Plan (NRRP), the complex project start-up phase has been completed. With reference to the 5G *Backhauling* tender, the Group closed the second milestone envisaged for June 30, deploying fiber optic connections on more than 1,000 radio mobile 5G sites in 450 different municipalities. As regards the *Italia 1 Giga* Plan, Ultrabroadband connections were deployed for approximately 95,000 addresses in around 260 municipalities.

For the *Italia 1 Giga* tender, coverage of more than 450,000 addresses has been planned and kicked off, whilst for *5G Backhauling*, around 5,600 sites have been planned. With respect to the tender obligations, the company completed the walk-in activity on June 30, a whole month ahead of the deadline envisaged by the *Italia 1 Giga* plan.

In the first half, Sparkle recorded solid performance with revenues and margins showing YoY growth.

- **TIM Brasil** recorded another very positive quarter, reporting 9.2% YoY growth in total revenues and 9.5% YoY growth in services revenues, thanks to the price increases in post-paid and the fixed customers migration to fiber. Second quarter EBITDA came to 537 million euros (+17.3% YoY), benefiting from the end of the "Temporary Service Agreement" with Oi and from cost efficiencies. Indeed, the integration of Oi at network level is now complete, as is customer migration. Site *decommissioning* is in line with the plan, with positive impacts in the year. Operating performance recorded the highest ARPU ever on pre- and post-paid, the lowest post-paid churn rate in the last 3 years, bad debt at the lowest rate ever and an overall improvement of NPS.

The *delaying* plan for the sale of NetCo is progressing as planned: after the decision made by TIM's Board of Directors last June 22 to start exclusive negotiations with KKR, necessary activities to receive a conclusive binding offer by September 30 are ongoing.

Financial results for the first half of 2023

Group total revenues came to 7.8 billion euros, (+3.5% YoY), with Group service revenues of 7.2 billion euros (+2.3% YoY), in line with the "*low single digit growth*" target set for 2023. The Group's organic EBITDA came to 3.1 billion euros (+4.7% YoY), in line with "*mid single digit growth*" target, thanks to the significant improvement in the Domestic Business and the positive contribution from Brazil. Group EBITDA After Lease for the half-year was 2.6 billion euros (+3.1% YoY). Group's CAPEX was 1.7 billion euros (-6.1% YoY) of which Domestic 1.3 billion euros (-5.9% YoY).

Net financial debt at June 30, 2023 came to 26.2 billion euros, up 0.8 billion euros versus December 31, 2022. Net financial debt after lease stood at 20.8 billion euros, up 0.8 billion euros compared to December 31, 2022.

At July 31, 2023, the **liquidity margin** was of 9.3 billion euros and covers the debt maturity throughout 2025. To support its liquidity position, the Group successfully closed several refinancing initiatives, despite unprecedented market conditions, collecting 3.3 billion euros since the start of the year. More specifically, in January, a *bond* was issued in the amount of 850 million euros, in April the January *bond* was reopened for 400 million euros, while in May TIM obtained a 360-million-euro loan from the EIB to develop the 5G network. Furthermore, a *senior unsecured bond* for 750 million euros, at fixed rate and with maturity of 5 years was successfully placed in July. Lastly, also in July, *TIM Brasil Serviços e Participações S.A.*, the holding company fully owned by the Group which in turn controls 66.58% of TIM S.A., issued a non-convertible bond intended for institutional investors in the amount of 5 billion reais, equivalent to approximately 950 million euros at current exchange rates.

The **Equity free cash flow after lease** in the first half was negative for 0.6 billion euros, mainly due to working capital absorption and to the increase of financial expenses (equity free cash flow was negative for approximately 0.2 billion euros).



Financial highlights

(million euros) - reported data	2nd Quarter 2023 (a)	2nd Quarter 2022 (b)	% Changes (a-b)	1st Half 2023 (a)	1st Half 2022 (b)	% Changes (a-b)
Revenues	3,999	3,913	2.2	7,846	7,557	3.8
EBITDA (1)	1,631	1,342	21.5	2,670	2,658	0.5
EBITDA Margin (1)	40.8%	34.3%	6.5 pp	34.0%	35.2%	(1.2) pp
EBIT (1)	401	188	—	239	397	(39.8)
EBIT Margin (1)	10.0%	4.8%	5.2pp	3.0%	5.3%	(2.3) pp
Profit (loss) for the period attributable to owners of the Parent	(124)	(279)	55.6	(813)	(483)	(68.3)
Capital Expenditures & spectrum	892	974	(8.4)	1,729	1,906	(9.3)
				6/30/2023 (a)	12/31/2022 (b)	Change Amount (a-b)
Adjusted Net Financial Debt (1)				26,163	25,364	799

(1) Details are provided under "Alternative Performance Measures".

Organic results ⁽¹⁾

(million euros) - organic data	2nd Quarter 2023 (a)	2nd Quarter 2022 (b)	% Changes	1st Half 2023 (a)	1st Half 2022 (b)	% Changes
TOTAL REVENUES	3,999	3,891	2.8	7,846	7,580	3.5
Domestic	2,924	2,906	0.6	5,767	5,755	0.2
Brazil	1,086	993	9.2	2,098	1,841	13.9
Other activities, adjustments and eliminations	(11)	(8)	—	(19)	(16)	—
SERVICE REVENUES	3,687	3,623	1.8	7,211	7,052	2.3
Domestic	2,644	2,669	(0.9)	5,195	5,284	(1.7)
of which Fixed	2,059	2,054	0.2	4,045	4,077	(0.8)
of which Mobile	719	751	(4.2)	1,420	1,479	(4.0)
Brazil	1,055	962	9.5	2,036	1,784	14.1
Other activities, adjustments and eliminations	(12)	(8)	—	(20)	(16)	—
EBITDA	1,641	1,554	5.6	3,100	2,960	4.7
Domestic	1,107	1,101	0.5	2,107	2,130	(1.1)
Brazil	537	457	17.3	998	836	19.4
Other activities, adjustments and eliminations	(3)	(4)	—	(5)	(6)	—
EBITDA After Lease	1,368	1,297	5.5	2,557	2,480	3.1
Domestic	973	972	0.1	1,845	1,876	(1.7)
Brazil	398	329	21.0	717	610	17.6
Other activities, adjustments and eliminations	(3)	(4)	—	(5)	(6)	—
CAPEX (net of telecommunications licenses)	892	898	(0.7)	1,729	1,842	(6.1)
Domestic	719	702	2.4	1,325	1,408	(5.9)
Brazil	173	196	(11.9)	404	434	(6.9)

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

(million euros) - reported data	2nd Quarter 2023 (a)	2nd Quarter 2022 (b)	% Changes	1st Half 2023 (a)	1st Half 2022 (b)	% Changes
Equity Free Cash Flow	(50)	37	—	(167)	338	—
Equity Free Cash Flow After Lease	(236)	(107)	—	(633)	16	—
Adjusted Net Financial Debt ⁽²⁾				26,163	24,654	6.1
Net Financial Debt After Lease ⁽²⁾				20,815	19,269	8.0

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

The Group's ESG performance - second quarter of 2023

ENVIRONMENT

The initiatives aimed at **increasing the efficiency of our infrastructures** include, with the clearance given by AGCom, the **launch of the process of decommissioning approximately 15,000 telephone booths**. For the most part, they will be contributed as special waste for the recovery of the manufacturing materials. The process of decommissioning the public roadside telephone booths will require a prior verification of suitable radio mobile coverage and, as prescribed by the Telecommunications Authority, TIM will continue in any case to guarantee the availability of booths in socially-important structures, such as hospitals, prisons and military barracks.

The **purchase of renewable energy is growing in Italy** to guarantee achievement of the 100% green energy target by 2025. Indeed, the partnership with ERG has been renewed with the stipulation of a **new Power Purchase Agreement (PPA)** with a term of 9 years for the supply of approximately **200 GWh/year** green energy for the period 2023-2031. The contract supplements the agreement already signed in 2021 for the supply of 340GWh/year for 10 years.

Circular energy initiatives are strengthened to foster the spread of Ultrabroadband connections like fiber and, at the same time, extend the useful life of obsolete devices. Since June 2023, the **"ADSL scrapping program"** has been operative, allowing for the disposal of old copper ADSL or RTG voice-only lines and the **activation of Ultrabroadband fiber connections of up to 10 Gigabits per second**. With this initiative, customers receive a bonus of 120 euros on the bill (i.e. 5 euros/month for 24 months). The 120-euro bonus will also be granted to customers who, in switching to fiber, scrap an old modem they own. All the **modems recovered will be regenerated and reused for assistance or disposed of in a sustainable manner**.

TIM and the Olivetti Foundation have donated the complex of the Church and former Convent of San Bernardino in Ivrea to FAI; it had been the Olivetti family home. The complex will be restored thanks to finance granted by the Ministry of Culture to house the story of Adriano Olivetti, as well as becoming a cultural and recreational center open to the public, thanks to the more than 40,000 square meters of historic buildings and green areas.

SOCIAL

As regards TIM's contribution in terms of **digital growth of the Italian society**, projects have been launched to strengthen network infrastructures and develop digital services for citizens, businesses and Public Administrations.

Under the scope of the network infrastructure, **Sparkle**, the top supplier of international telecommunications services in Italy and amongst the top worldwide, **is innovating its global transport optic network** with new technology (photonic "C band + L band" nodes) that extend the overall capacity of the land-based and under-sea networks with speeds of up to 800G in Europe, the Middle East and South America. The new technology **will initially be activated amongst the 23 points of presence (PoP) in Europe for more than 12,465 km**, with the first connection between Milan and Frankfurt.

Research and development intensifies on **digital services for Urban Intelligence and Smart Cities** thanks to a **cooperation agreement signed with the CNR** with a term of five years for joint scientific research and design aiming to develop the cities of the future. The collaboration will allow for the pooling of the reciprocal excellences in technology, digital and research, to collect and process data that can improve the management of urban centers.

New drive is also given to innovation thanks to the **launch of the "TIM Growth Platform" open innovation program** to scout out and select companies with high potential to start industrial collaborations in the sector of Cloud Solutions, Artificial Intelligence, Smart City, Cybersecurity, Data Monetization, Energy Management, ICT solutions for small and medium enterprises and innovative services in Content & Entertainment. The "TIM Cybersecurity Made in Italy Challenge" has kicked off in this context, as a challenge aimed at Italian SMEs, startups and scaleups to identify innovative solutions to be integrated into the offer of Telsy, the Group company focused on the cybersecurity sector, which operates under TIM Enterprise.

Again from this viewpoint, in the second quarter, **Telsy completed the acquisition of TS-Way, the Italian company specialized in cyber threat intelligence**, namely services for the prevention and analysis of cyber attacks, with the aim of preventing IT incidents and risks, including through research into vulnerabilities not yet publicly known.

On an "internal" social level, with a view to **enhancing TIM's people**, actions continue to develop skills and engagement, to reduce the gender cap and foster inclusion.

In May, **the Gender Equality Steering Committee was established**. This Committee, chaired by the Chief Executive Officer, oversees the adoption and application of the gender equality policy and will meet regularly to guarantee the implementation of the strategic objectives the company has set itself in terms of gender equality, as well as to monitor progress made on the achievement of the related Plan targets.

The planning phase of the **"Apprendo Training"** for TIM's people has been completed. For the first time, colleagues were able to build their own training plans on the basis of their personal interests, choosing from a **catalog of more than 170 courses**. 4,000 people supplemented their training plan, adding additional courses over and above the envisaged basic number.

To **stimulate employee engagement to ESG topics**, various initiatives have also been promoted, including a **cycle of meetings called "The third dimension"** (to stress the importance of the dimension of sustainability that flanks the more classic costs and revenues). The aim is to stimulate the company's cultural change from the inside, addressing topics such as energy procurement procedures, the transformation of the business and the closure of the gender gap. To sensitize colleagues to circular economy practices, a channel has also been opened on the corporate intranet dedicated to the "free exchange of objects".

Finally, in respect of welfare, the "Plan for TIM people" has been disseminated on the corporate intranet, offering an overview of all the initiatives the company makes available for employee well-being, including "TIM

Estate” (TIM Summer) whereby, this year too, summer holidays have been proposed for children and teenagers in various towns and cities across Italy and in colleges abroad.

As regards inclusion, the support of the Gay Pride 2023 parades in Rome and Milan has been renewed, as confirmation of TIM's commitment to valuing diversity.

GOVERNANCE

In June, the new Whistleblowing Procedure applicable to TIM and all Group companies (except for listed and foreign companies) **was approved**. The procedure has also been revised in order to implement Italian Legislative Decree no. 24 of March 10, 2023, which introduced a unitary regulation on making reports (the “Whistleblowing Regulations”) and protection granted to whistleblowers in the public and private sector (the provisions of which come into effect starting July 15, 2023).



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, starting 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 and 2022, some contracts for the supply of connectivity and multimedia content 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 posting a contractual risk provision for onerous contracts for the remaining contract duration.

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 June 30, 2023 came to 109 million euros.

Below are:

- the amount used in the first half of 2023 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 Half 2023	1st Half 2022	1st Half 2023	1st Half 2022
ORGANIC EBITDA (including use of the risk provision for onerous contracts)	3,100	2,960	2,107	2,130
- Use of the risk provision for onerous contracts to cover the negative margin	(140)	(329)	(140)	(329)
ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)	2,960	2,631	1,967	1,801

The amount of 140 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.

INTRODUCTION

The Half-Year Financial Report at June 30, 2023 of the TIM Group was prepared in compliance with Article 154-ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance – CLF) as amended, and in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the recognition and measurement criteria of the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (“IFRS”), and with rulings issued under Article 9, Legislative Decree no. 38/2005.

The Half-Year Financial Report includes:

- the Interim Report on Operations;
- the Half-Year Condensed Consolidated Financial Statements;
- the certification of the Half-Year Condensed Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation 11971 dated May 14, 1999, as amended.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have undergone a limited scope audit.

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

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

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

Lastly, the section entitled “Business Outlook for the year 2023” contains forward-looking statements in relation to the Group’s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group’s operations and strategies. Readers of this Interim Report on Operations are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group’s control. Please refer to the “Main risks and uncertainties” section for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION OF THE TIM GROUP

The main change to the consolidation scope that took place in the first half of 2023 was the following:

- **TS-Way S.r.l.** (which joined the Domestic Business Unit scope): Telsy S.p.A. acquired 100% share capital of the company on April 20, 2023. TS-Way operates in Information Technology security.

During the first half of 2022, the main corporate transactions were as follows:

- **Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.** (Brazil Business Unit): on April 20, 2022, TIM S.A. acquired 100% of the company’s share capital. The business unit relating to the part share of the assets, rights and obligations of the mobile telephone business of Oi Móvel - Em Recuperação Judicial, has flowed into Cozani. The incorporation of the company into TIM S.A. took effect starting April 1, 2023;
- **Mindicity S.r.l.** (Domestic Business Unit): Olivetti S.p.A. acquired 70% share capital of the company on May 30, 2022. Mindicity manages a software platform and business under the scope of smart cities.

CONSOLIDATED OPERATING PERFORMANCE

Revenues

Total TIM Group revenues for the first half of 2023, amounted to **7,846 million euros**, +3.8% compared to the first half of 2022 (7,557 million euros).

The breakdown of total revenues for the first half of 2023, by operating segment in comparison with the first half of 2022 is as follows:

	1st Half 2023		1st Half 2022		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	5,767	73.5	5,754	76.1	13	0.2	0.2
Brazil	2,098	26.7	1,819	24.1	279	15.3	13.9
Other Operations	—	—	—	—	—	—	—
Adjustments and eliminations	(19)	(0.2)	(16)	(0.2)	(3)	—	—
Consolidated Total	7,846	100.0	7,557	100.0	289	3.8	3.5

The organic change in the Group's consolidated revenues is calculated by excluding the effect of exchange rate changes¹ (+23 million euros) and changes in the scope of consolidation.

Revenues for the second quarter of 2023 totaled 3,999 million euros (3,913 million euros in the second quarter of 2022).

EBITDA

Group EBITDA for the first half of 2023 came to **2,670 million euros** (2,658 million euros in the first half of 2022, +0.5% in reported terms, +4.7% in organic terms).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for the first half of 2023 compared with the first half of 2022, are as follows:

	1st Half 2023		1st Half 2022		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	1,682	63.0	1,854	69.8	(172)	(9.3)	(1.1)
% of Revenues	29.2		32.2			(3.0) pp	(0.5) pp
Brazil	993	37.2	813	30.6	180	22.1	19.4
% of Revenues	47.3		44.7			2.6 pp	2.2 pp
Other Operations	(4)	(0.2)	(8)	(0.4)	4	—	—
Adjustments and eliminations	(1)	—	(1)	—	—	—	—
Consolidated Total	2,670	100.0	2,658	100.0	12	0.5	4.7

Organic EBITDA - net of the non-recurring items amounted to **3,100 million euros**; the EBITDA margin was 39.5% (2,960 million euros in the first half of 2022, with an EBITDA margin of 39.1%).

In the first half of 2023 EBITDA suffered non-recurring net expenses for a total of 430 million euros mainly relating to employee benefits expenses and employee provisions also connected with the application of Art. 4 of Italian Law 92 of June 28, 2012, as per the agreements signed with the Trade Union Organizations by the Parent Company TIM S.p.A., by Noovle S.p.A. and by Telecom Italia Sparkle S.p.A.. Said agreements involve an incentive to take redundancy for approximately 2,000 people and are valid until November 30, 2023.

EBITDA for the first half of 2022 was impacted by net non-recurring expenses totaling 292 million euros, mainly connected with employee benefits expenses also in application of Art. 4 of Law no. 92 of June 28, 2012 as well as with corporate reorganization/restructuring processes, expenses related to agreements and the development of non-recurring projects and provisions made and expenses for litigation, regulatory sanctions and related potential liabilities.

¹ The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.48212 for the Brazilian real in the first half of 2023 and 5.56056 in the first half of 2022; for the US dollar, the average exchange rates used were 1.08096 in the first half of 2023 and 1.09331 in the first half of 2022. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

Organic EBITDA, net of the non-recurring items, is calculated as follows:

(million euros)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBITDA	2,670	2,658	12	0.5
Foreign currency financial statements translation effect		10	(10)	
Non-recurring expenses (income)	430	292	138	
ORGANIC EBITDA - excluding non-recurring items	3,100	2,960	140	4.7
% of Revenues	39.5	39.1	0.4 pp	

Exchange rate fluctuations mainly related to the Brazil Business Unit.

Organic EBITDA excluding the use of the risk provisions for onerous contracts for the first half of 2023 came to 2,960 million euros (2,631 million euros during the first half of 2022).

The EBITDA of the second quarter of 2023 totaled 1,631 million euros (1,342 million euros in the second quarter of 2022).

Organic EBITDA net of the non-recurring items in the second quarter of 2023 totaled 1,641 million euros (1,554 million euros in the second quarter of 2022).

EBITDA was particularly impacted by the change in the line items analyzed below:

■ **Acquisition of goods and services (3,579 million euros; 3,385 million euros in the first half of 2022):**

(million euros)	1st Half 2023	1st Half 2022	Change
Acquisition of goods	574	558	16
Revenues due to other TLC operators and costs for telecommunications network access services	603	637	(34)
Commercial and advertising costs	771	678	93
Professional and consulting services	135	143	(8)
Power, maintenance and outsourced services	698	669	29
Lease and rental costs	465	392	73
Other	333	308	25
Total acquisition of goods and services	3,579	3,385	194
% of Revenues	45.6	44.8	0.8 pp

The rise is attributable primarily to the Domestic Business Unit (+115 million euros), and to the Brazil Business Unit (+86 million euros, including a positive exchange effect of 9 million euros).

■ **Employee benefits expenses (1,711 million euros; 1,554 million euros in the first half of 2022):**

(million euros)	1st Half 2023	1st Half 2022	Change
Employee benefits expenses - Italy	1,536	1,398	138
Ordinary employee expenses and costs	1,121	1,138	(17)
Restructuring and other expenses	415	260	155
Employee benefits expenses - Outside Italy	175	156	19
Ordinary employee expenses and costs	175	154	21
Restructuring and other expenses	—	2	(2)
Total employee benefits expenses	1,711	1,554	157
% of Revenues	21.8	20.6	1.2pp

The increase of 157 million euros was mainly driven by:

- the increase of 155 million euros in the item “Restructuring and other expenses” of the Italian component. In the first half of 2023 a total provision was made of 415 million euros, mainly in connection with the leaving of managerial and non-managerial staff envisaged in accordance with the application of Art. 4 of Law no. 92 of June 28, 2012, as per the agreements signed with the trade union organizations of the Parent Company TIM S.p.A., by Noovle S.p.A. and by Telecom Italia Sparkle S.p.A..

In the first half of 2022, a provision had been made for expenses totaling 260 million euros, mainly relating to the expected outgoings on the basis of art. 4 of Italian law no. 92 of June 28, 2012 following the agreements signed with the trade unions by the Parent Company TIM S.p.A. and by Telecom Italia Sparkle S.p.A.;

- the greater cost of 19 million euros in the foreign component mainly related to the impact of turnover, of the exchange rate change and the local salary dynamics of the Brazil Business Unit;

- the reduction of 17 million euros of the Italian component of ordinary employee expenses, mainly due to the savings consequent to the reduction in the average salaried workforce, amounting to an average total of -2,423 employees, of whom an average of -531 deriving from the application of the Expansion Contract, which entails a reduction in working hours of staff on the workforce.

■ **Other operating income (109 million euros; 78 million euros in the first half of 2022):**

(million euros)	1st Half 2023	1st Half 2022	Change
Late payment fees charged for telephone services	18	20	(2)
Recovery of employee benefit expenses, purchases and services rendered	4	5	(1)
Capital and operating grants	17	16	1
Damages, penalties and recoveries connected with litigation	18	15	3
Estimate revisions and other adjustments	36	12	24
Other	16	10	6
Total	109	78	31

■ **Other operating expenses (338 million euros; 342 million euros in the first half of 2022):**

(million euros)	1st Half 2023	1st Half 2022	Change
Write-downs and expenses in connection with credit management	104	107	(3)
Provision charges	31	23	8
TLC operating fees and charges	113	114	(1)
Indirect duties and taxes	52	54	(2)
Penalties, settlement compensation and administrative fines	10	10	—
Subscription dues and fees, donations, scholarships and traineeships	6	7	(1)
Other	22	27	(5)
Total	338	342	(4)

Amortization

In the first half of 2023 this item amounted to 2,429 million euros (2,295 million euros in the first half of 2022) and breaks down as follows:

(million euros)	1st Half 2023	1st Half 2022	Change
Amortization of intangible assets with a finite useful life	765	734	31
Depreciation of tangible assets	1,169	1,154	15
Depreciation of rights of use assets	495	407	88
Total	2,429	2,295	134

The 134 million euro increase included 101 million euros for the Brazil Business Unit and 33 million euros for the Domestic Business Unit.

Net impairment losses on non-current assets

Net impairment losses on non-current assets were null in both the first half of 2023 and the first half of 2022.

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. If specific events or circumstances occur (trigger events) that may indicate an impairment of goodwill, impairment testing is also carried out when preparing the interim financial statements.

In accordance with the corporate procedures, in preparation of the half-year report at June 30, 2023, the company carried out an impairment test on goodwill.

The impairment test did not result in write-downs on the goodwill attributed to both the Domestic Cash Generating Unit and the Brazil Cash Generating Unit, confirming the goodwill values recognized in the financial statements in June 2023.

Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 of the TIM Group.

EBIT

TIM Group EBIT for the first half of 2023 was **239 million euros** (397 million euros in the first half of 2022).

Organic EBIT, net of the non-recurring items, amounted to **667 million euros** (693 million euros for the first half of 2022), with an EBIT margin of 8.5% (9.1% for the first half of 2022).

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

(million euros)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBIT	239	397	(158)	(39.8)
Foreign currency financial statements translation effect		4	(4)	
Non-recurring expenses (income)	428	292	136	
ORGANIC EBIT - excluding non-recurring items	667	693	(26)	(3.8)

The EBIT of the second quarter of 2023 totaled 401 million euros (188 million euros in the second quarter of 2022).

Organic EBIT net of the non-recurring items in the second quarter of 2023 totaled 409 million euros (407 million euros in the second quarter of 2022).

Finance income (expenses), net

Finance income (expenses) show a net expense of 757 million euros (negative for 686 million euros in the first half of 2022). The increase is due to the performance of interest rates and the increased debt exposure of the IFRS 16 lease component in Brazil.

Income tax expense

In the first half of 2023, the item **income tax expense** came to 143 million euros (102 million euros in the first half of 2022) and mainly refers to FiberCop S.p.A., which in the first half recorded a pre-tax profit.

Profit (loss) for the period

This item breaks down as follows:

(million euros)	1st Half 2023	1st Half 2022
Profit (loss) for the period	(673)	(360)
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(813)	(483)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to owners of the Parent	(813)	(483)
Non-controlling interests:		
Profit (loss) from continuing operations	140	123
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to Non-controlling interests	140	123

The **Net loss attributable to Owners of the Parent for the first half of 2023**, was 813 million euros (-483 million euros in the first half of 2022), suffering the negative impact of net non-recurring expenses for 437 million euros (287 million euros in the first half of 2022).

For more details on non-recurring items, see the Note "Non-recurring events and transactions" in the Half-Year Condensed Consolidated Financial Statements as at June 30, 2023 of the TIM Group.

FINANCIAL AND OPERATING HIGHLIGHTS OF THE BUSINESS UNITS OF THE TIM GROUP

Domestic

(million euros)	1st Half 2023	1st Half 2022	Changes (a-b)		
	(a)	(b)	absolute	%	% organic excluding non- recurring
Revenues	5,767	5,754	13	0.2	0.2
EBITDA	1,682	1,854	(172)	(9.3)	(1.1)
% of Revenues	29.2	32.2		(3.0) pp	(0.5) pp
EBIT	(96)	146	(242)	—	(22.5)
% of Revenues	(1.7)	2.5		(4.2) pp	(1.6) pp
Headcount at period end (number) (*)	40,903	(*)40,984	(81)	(0.2)	

(*) Includes 32 agency contract workers at June 30, 2023 (15 at December 31, 2022).

(*) Headcount at December 31, 2022.

(million euros)	2nd Quarter 2023	2nd Quarter 2022	Changes (a-b)		
	(a)	(b)	absolute	%	% organic excluding non- recurring
Revenues	2,924	2,908	16	0.6	0.6
EBITDA	1,100	892	208	23.3	0.5
% of Revenues	37.6	30.7		6.9 pp	0.0 pp
EBIT	207	54	153	—	(19.4)
% of Revenues	7.1	1.9		5.2 pp	(1.8) pp

(million euros)	1st Half 2023	1st Half 2022
EBITDA	1,682	1,854
ORGANIC EBITDA (including use of the risk provision for onerous contracts)	2,107	2,130
- Use of the risk provision for onerous contracts to cover the negative margin	(140)	(329)
ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)	1,967	1,801

Fixed

	6/30/2023	12/31/2022	6/30/2022
Total TIM Retail accesses (thousands)	8,141	8,290	8,442
of which NGN ⁽¹⁾	5,531	5,417	5,307
Total TIM Wholesale accesses (thousands)	7,365	7,525	7,659
of which NGN	5,222	5,171	5,110
Active TIM Retail Broadband accesses (thousands)	7,318	7,443	7,564
Consumer ARPU (€/month) ⁽²⁾	27.7	28.3	28.4
Broadband ARPU (€/month) ⁽³⁾	35.4	35.6	33.9

(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

	6/30/2023	12/31/2022	6/30/2022
Lines at period end (thousands)	30,251	30,407	30,427
of which Human	18,269	18,438	18,620
Churn rate (%) ⁽⁴⁾	6.5	13.3	6.9
Broadband users (thousands) ⁽⁵⁾	12,662	12,577	12,717
Retail ARPU (€/month) ⁽⁶⁾	6.7	7.1	7.0
Human ARPU (€/month) ⁽⁷⁾	11.1	11.5	11.4

(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.

Revenues

Domestic Business Unit revenues amounted to 5,767 million euros, up 13 million euros (+0.2%) compared to the first half of 2022. In organic terms, they increased by 12 million euros (+0.2% on the first half of 2022).

Revenues from stand-alone services came to 5,195 million euros (-88 million euros compared to the first half of 2022, -1.7%) and suffered the impact of the competition on the customer base, as well as a difference in activation contributions; in organic terms, they dropped by 89 million euros compared to the first half of 2022 (-1.7%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 4,045 million euros in organic terms, with a negative change with respect to the first half of 2022 (-0.8%) mainly due to the decrease in accesses and the difference in activation contributions, partly offset by the growth in revenues from ICT solutions (+65 million euros compared to the first half of 2022, +9.5%);
- **revenues from stand-alone Mobile market services** came to 1,420 million euros (-59 million euros compared to the first half of 2022, -4.0%), mainly due to the reduction in the customer base connected with Human lines.

Handset and Bundle & Handset revenues, including the change in work in progress, were equal, in organic terms, to 572 million euros in the first half of 2023, up 101 million euros on the first half of 2022, mainly due to the commercial agreement started in 2022 by TIM and FiberCop with Open Fiber, which envisages that Open Fiber shall purchase from FiberCop, in the so-called white areas, the right of use (IRU) for overhead infrastructure and access connections to the customer's home.

Revenues by customer segment/business area, starting from the first half of 2023, are stated consistently with the areas of responsibility and the related reference market focus. Consequently, the comparative data of previous periods has been restated. Below, therefore, are details of revenues divided up into: Consumer and Small Medium Business, Enterprise, Wholesale National Market, Wholesale International Market and Other, complete with the analytical description of the reference scope, as currently shown for the purpose of internal analysis.

- **Consumer and Small Medium Business (SMB).** *The reference scope consists of all the voice and Internet services and products managed and developed in Fixed and Mobile for people and families (from public telephone, caring activities and administrative management of customers) and for SME (Small and Medium Enterprises) and SOHO (Small Office Home Office) customers; the TIM Retail company is included, which coordinates the activities of its stores.*

(million euros)	2nd Quarter 2023	2nd Quarter 2022	1st Half 2023	1st Half 2022	% Changes			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-recurring	organic excluding non-recurring
Consumer and Small Medium Business revenues	1,393	1,483	2,772	2,950	(6.1)	(6.0)	(6.1)	(6.0)
Service revenues	1,271	1,345	2,519	2,680	(5.5)	(6.0)	(5.5)	(6.0)
Handset and Bundle & Handset revenues	122	138	253	270	(12.1)	(6.3)	(12.1)	(6.3)

In organic terms, the revenues of the Consumer and SMB segment totaled 2,772 million euros (-178 million euros compared to the first half of 2022, -6.0%) and show a trend, compared to the first half of 2022, affected by the challenging competition. The trend seen in total revenues also applied to revenues from services, which amounted to 2,519 million euros, down by 161 million euros compared to the first half of 2022 (-6.0%).

Also:

- **revenues from Mobile services** totaled, in organic terms, 1,048 million euros (-53 million euros, -4.8% compared to the first half of 2022). The impact of the competitive dynamic remains, albeit with a lesser reduction of the customer base calling; revenues from traffic are down due to the progressive reduction of interconnection tariffs;
- **revenues from Fixed services** came to 1,479 million euros in organic terms (-114 million euros on the first half of 2022, -7.2%), mainly due to the reduction in ARPU levels and the reduction in the customer base.

Handset and Bundle & Handset revenues of the Consumer and SMB segment came to 253 million euros, -17 million euros compared with the first half of 2022: the change is mainly linked to a progressive slowing of the mobile terminals market.

- **Enterprise.** *The reference scope consists of all ICT solutions and connectivity products and services managed and developed for Top, Public Sector and Large Account customers. The following companies are included: Olivetti, TI Trust Technologies, Telsy and Noovle.*

In organic terms, revenues for the segment amounted to 1,397 million euros, an increase of 28 million euros compared to the first half of 2022 (+2%), of which +3% for revenues from the stand-alone services component.

(million euros)	2nd Quarter 2023	2nd Quarter 2022	1st Half 2023	1st Half 2022	% Changes			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non- recurring	organic excluding non- recurring
Enterprise revenues	705	702	1,397	1,369	0.4	2.0	0.4	2.0
Service revenues	643	631	1,261	1,226	1.9	2.8	1.9	2.8
Handset and Bundle & Handset revenues	62	71	136	143	(13.9)	(4.9)	(13.9)	(4.9)

In particular:

- **Mobile service revenues** performed in line with the first half of 2022;
- **Fixed service revenues** changed by +14 million euros compared to the first half of 2022 (+3%), mainly driven by the increase in revenues from ICT services.
- **Wholesale National Market.** *The reference scope consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed-line and Mobile telecommunications operators in the domestic market and MVNOs. The following companies are included: TI San Marino and Telefonía Mobile Sammarinese.*

The Wholesale National Market segment presented revenues of 1,004 million euros in the first half of 2023, an increase of 46 million euros (+4.8%) on the first half of 2022, also thanks to the positive impact of regulatory price dynamics.

- **Wholesale International Market.** *This area 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 (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.*

Revenues for the first half of 2023 from the Wholesale International Market came to 491 million euros, up on the first half of 2022 (+7 million euros, +1.4%), mainly thanks to the revenues from sales of spectrum/fiber and the growth in revenues relating to mobile operator solutions flanked by a strategy seeking to rationalize voice revenues.

- **Other.** *Includes:*
 - **Other Operations units:** covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties;
 - **Staff & Other:** services provided by the Staff Departments and other support activities carried out by minor companies.

Revenues for the first half of 2023 came to 213 million euros, an increase of 113 million euros compared to the first half of 2022. Note that revenues for the first half of 2023 include approximately 119 million euros relating to the commercial agreement started 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 the customer's home.

- **Eliminations:** in the first half of 2023 these totaled 109 million euros (106 million euros in the first half of 2022).

EBITDA

Domestic Business Unit EBITDA for the first half of 2023 totaled 1,682 million euros (-172 million euros compared to the first half of 2022, -9.3%), with a margin of 29.2% (-3.0 percentage points compared to the first half of 2022).

Organic EBITDA, net of the non-recurring item, amounted to 2,107 million euros (-23 million euros compared to the first half of 2022, -1.1%). In particular, EBITDA for the first half of 2023 was impacted by non-recurring items in the amount of 425 million euros, whilst the first half of 2022 reflected a total impact of 276 million euros referring to non-recurring items.

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

(million euros)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBITDA	1,682	1,854	(172)	(9.3)
Foreign currency financial statements translation effect		—	—	
Non-recurring expenses (Income)	425	276	149	
ORGANIC EBITDA - excluding non-recurring items	2,107	2,130	(23)	(1.1)

Organic EBITDA in the second quarter of 2023 was 1,107 million euros, (+6 million euros compared with the corresponding period of 2022).

Organic EBITDA excluding the use of the risk provisions for onerous contracts for the first half of 2023 came to 1,967 million euros (1,801 million euros during the first half of 2022).

Regarding the dynamics for the main items, it should be noted that the same dynamics already described in the consolidated report impacted the main performance; in detail:

(million euros)	1st Half 2023	1st Half 2022	Change
Acquisition of goods and services	2,752	2,637	115
Employee benefits expenses	1,548	1,410	138
Other operating expenses	153	167	(14)

In particular:

- **Other operating income** amounted to 102 million euros with an increase of 33 million euros compared to the first half of 2022:

(million euros)	1st Half 2023	1st Half 2022	Change
Late payment fees charged for telephone services	12	14	(2)
Recovery of employee benefit expenses, purchases and services rendered	4	5	(1)
Capital and operating grants	17	15	2
Damages, penalties and recoveries connected with litigation	18	14	4
Estimate revisions and other adjustments	36	12	24
Other income	15	9	6
Total	102	69	33

- **Acquisition of goods and services** amounted to 2,752 million euros with an increase of 115 million euros compared to the first half of 2022:

(million euros)	1st Half 2023	1st Half 2022	Change
Acquisition of goods	461	470	(9)
Revenues due to other TLC operators and interconnection costs	514	561	(47)
Commercial and advertising costs	523	454	69
Professional and consulting services	60	65	(5)
Power, maintenance and outsourced services	573	561	12
Lease and rental costs	325	254	71
Other	296	272	24
Total acquisition of goods and services	2,752	2,637	115
<i>% of Revenues</i>	<i>47.7</i>	<i>45.8</i>	<i>1.9</i>

- **Employee benefits expenses** amounted to 1,548 million euros with an increase of 138 million euros compared to the first half of 2022. The same dynamics already described in the information given on the consolidated operating performance impacted this performance too.
- **Other operating expenses** amounted to 153 million euros with a decrease of 14 million euros compared to the first half of 2022:

(million euros)	1st Half 2023	1st Half 2022	Change
Write-downs and expenses in connection with credit management	48	54	(6)
Provision charges	12	11	1
TLC operating fees and charges	22	22	—
Indirect duties and taxes	42	46	(4)
Penalties, settlement compensation and administrative fines	10	10	—
Subscription dues and fees, donations, scholarships and traineeships	5	5	—
Sundry expenses	14	19	(5)
Total	153	167	(14)

Other operating expenses for the first half of 2023 include a non-recurring item of 1 million euros, referring mainly to disputes, transactions, expenses connected with regulatory sanctions and expenses related to agreements and the development of non-recurring projects.

Note that Write-downs and expenses in connection with credit management shows a reduction of 6 million euros compared with the first half of 2022.

The non-recurring items of the first half of 2022, amounting to 3 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

EBIT

Domestic Business Unit EBIT in the first half of 2023 totaled -96 million euros (-242 million euros compared to the first half of 2022), with a margin of -1.7% (-4.2 percentage points compared to the first half of 2022).

Organic EBIT, net of the non-recurring items, amounted to 327 million euros (-95 million euros compared to the first half of 2022, -22.5%), with an EBIT margin of 5.7% (a reduction of 1.6 percentage points compared to the 7.3% of the first half of 2022).

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

(million euros)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBIT	(96)	146	(242)	
Non-recurring expenses (Income)	423	276	147	
ORGANIC EBIT - excluding non-recurring items	327	422	(95)	(22.5)

The EBIT of the second quarter of 2023 totaled 207 million euros (54 million euros in the second quarter of 2022).

Brazil

	(million euros)		(million Brazilian reais)		Changes		
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	2,098	1,819	11,503	10,095	1,408	13.9	13.9
EBITDA	993	813	5,442	4,512	930	20.6	19.4
% of Revenues	47.3	44.7	47.3	44.7		2.6 pp	2.2 pp
EBIT	339	260	1,857	1,449	408	28.2	24.1
% of Revenues	16.1	14.4	16.1	14.4		1.7 pp	1.3 pp
Headcount at period-end (number)			9,271	(*)9,395	(124)	(1.3)	

(*) Headcount at December 31, 2022.

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 euro) were 5.48212 in the first half of 2023 and 5.56056 in the first half of 2022.

	(million euros)		(million Brazilian reais)		Changes		
	2nd Quarter 2023	2nd Quarter 2022	2nd Quarter 2023	2nd Quarter 2022	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,086	1,013	5,863	5,368	495	9.2	9.2
EBITDA	534	457	2,883	2,421	462	19.1	17.3
% of Revenues	49.2	45.1	49.2	45.1		4.1 pp	3.4 pp
EBIT	196	140	1,061	746	315	42.2	35.3
% of Revenues	18.1	13.9	18.1	13.9		4.2 pp	3.6 pp

	1st Half 2023	1st Half 2022
Lines at period end (thousands) (*)	61,225	(*)62,485
Mobile ARPU (reais)	28.4	26.5
Broadband ARPU (reais)	98.0	95.0

(*) Number at December 31, 2022.

(*) Includes corporate lines.

The **Brazil Business Unit (TIM Brasil group)** provides mobile services using UMTS, GSM and LTE technologies. Moreover, the TIM Brasil group offers fiber optic data transmission using full IP technology, such as DWDM and MPLS and residential Broadband services.

Revenues

Revenues for the first half of 2023 of the **Brazil Business Unit (TIM Brasil Group)** amounted to 11,503 million reais (10,095 million reais in the first half of 2022, +13.9%).

The acceleration has been determined by **service revenues** (11,161 million reais vs 9,785 million reais for the first half of 2022, +14.1%) with mobile telephony service revenues growing 14.6% on the first half of 2022. This performance is mainly related to the continuous improvement of the pre-paid and post-paid segments, supported by the acquisition of Oi's mobile telephone business. Revenues from fixed services have grown by 6.2% compared to the first half 2022, determined by the growth rate of TIM Live.

Revenues from product sales totaled 342 million reais (310 million reais for the first half of 2022).

Revenues in the second quarter of 2023 totaled 5,863 million reais, increased by 9.2% on the second quarter of 2022 (5,368 million reais).

Mobile ARPU for the first half of 2023 was 28.4 reais (26.5 reais in the first half of 2022) and therefore back to growing (+7.1%) after having suffered the dilution effect of the integration with Oi in recent quarters.

Total mobile lines in place at June 30, 2023 amounted to 61.2 million, -1.3 million compared to December 31, 2022 (62.5 million). The reduction is attributable to the post-paid segment for 0.7 million and to the pre-paid segment for 0.6 million. Post-paid customers represented 43.4% of the customer base as of June 30, 2023 (43.6% at December 2022).

The TIM Live Broadband business recorded net positive growth at June 30, 2023 in the customer base of 45 thousand users compared to December 31, 2022. In addition, the customer base continues to be concentrated on high-speed connections, with more than 50% exceeding 100Mbps.

Broadband ARPU for the first half of 2023 was 98.0 reais (95.0 reais in the first half of 2022).

EBITDA

EBITDA in the first half of 2023 was 5,442 million reais (4,512 million reais in the first half of 2022, +20.6%) and the margin on revenues was 47.3% (44.7% in the first half of 2022).

EBITDA in the first half of 2023 reflects the non-recurring charges of 30 million reais (71 million reais in the first half of 2022), mainly related to the development of non-recurring projects.

Organic EBITDA, net of the non-recurring items, increased by 19.4% and was calculated as follows:

(million Brazilian reais)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBITDA	5,442	4,512	930	20.6
Non-recurring expenses (income)	30	71	(41)	
ORGANIC EBITDA - excluding non-recurring items	5,472	4,583	889	19.4

The increase in EBITDA is due to the positive performance of service revenues strengthened by the acquisition of the Oi Móvel assets.

The relative margin on revenues, in organic terms, comes to 47.6% (45.4% during the first half of 2022).

EBITDA for the second quarter of 2023, amounted to 2,883 million reais, up 19.1% compared to the second quarter of 2022 (2,421 million reais).

Net of non-recurring charges, the margin on revenues for the second quarter of 2023 was 49.5% (46.1% in the second quarter of 2022).

The changes in the main cost items are shown below:

	(million euros)		(million Brazilian reais)		Change (c-d)
	1st Half 2023 (a)	1st Half 2022 (b)	1st Half 2023 (c)	1st Half 2022 (d)	
Acquisition of goods and services	842	756	4,616	4,199	417
Employee benefits expenses	162	143	888	797	91
Other operating expenses	182	171	1,006	944	62
Change in inventories	25	(13)	(138)	(78)	(60)

EBIT

EBIT for the first half of 2023 amounted to 1,857 million reais (1,449 million reais for the first half of 2022, +28.2%).

Organic EBIT, net of the non-recurring items, in the first half of 2023 amounted to 1,887 million reais (1,520 million reais in the first half of 2022), with a margin on revenues of 16.4% (15.1% in the first half of 2022).

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

(million Brazilian reais)	1st Half 2023	1st Half 2022	Changes	
			absolute	%
EBIT	1,857	1,449	408	28.2
Non-recurring expenses (income)	30	71	(41)	
ORGANIC EBIT - excluding non-recurring items	1,887	1,520	367	24.1

The EBIT of the second quarter of 2023 totaled 1,061 million reais (746 million reais in the second quarter of 2022).

Net of non-recurring charges, the margin on revenues for the second quarter of 2023 was 18.4% (14.8% in the second quarter of 2022).

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

Non-current assets

- **Goodwill:** a rise of 91 million euros, from 19,111 million euros at December 31, 2022 to 19,202 million euros at June 30, 2023, mainly due to the positive exchange differences (+62 million euros) in connection with the goodwill assigned to the Brazil Cash Generating Unit¹ and as a result of the posting of provisional Goodwill following the acquisition of control, under the scope of the Domestic Business Unit, of TS-Way S.r.l. (29 million euros).

Further details are provided in the Notes “Business combinations” and “Goodwill” to the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 of the TIM Group.

- **Intangible assets with a finite useful life:** these decreased by 178 million euros, from 7,656 million euros at the end of 2022 to 7,478 million euros at June 30, 2023, representing the balance of:
 - capex (+ 440 million euros);
 - amortization charge for the year (-765 million euros);
 - other disposals, exchange differences and other changes (for a net positive balance of 147 million euros). Exchange differences are positive for 143 million euros and mainly relate to the Brazil Business Unit.
- **Tangible assets:** these increased by 192 million euros, from 14,100 million euros at the end of 2022 to 14,292 million euros at June 30, 2023, representing the balance of:
 - capex (+1,254 million euros);
 - amortization charge for the year (-1,169 million euros);
 - other disposals, exchange differences and other changes (for a net positive balance of 107 million euros). Exchange differences are positive for 136 million euros and mainly relate to the Brazil Business Unit.
- **Rights of use assets:** these increased by 40 million euros, from 5,488 million euros at the end of 2022 to 5,528 million euros at June 30, 2023, representing the balance of:
 - investments (+35 million euros) and increases in lease contracts (+459 million euros);
 - amortization charge for the year (-495 million euros);
 - disposals, exchange differences and other changes (for a net positive balance of 41 million euros). Exchange differences are positive for 124 million euros and mainly relate to the Brazil Business Unit.

Consolidated equity

At June 30, 2023, consolidated equity amounted to 18,264 million euros (18,725 million euros at December 31, 2022), of which 14,428 million euros attributable to Owners of the Parent (15,061 million euros at December 31, 2022) and 3,836 million euros attributable to non-controlling interests (3,664 million euros at December 31, 2022). In greater detail, the changes in consolidated equity were the following:

(million euros)	6/30/2023	12/31/2022
Start of period	18,725	22,039
Total comprehensive income (loss) for the period	(402)	(1,912)
Dividends approved by:	(68)	(86)
TIM S.p.A.	—	—
Other Group companies	(68)	(86)
Daphne 3 - deconsolidation	—	(1,332)
Equity instruments	—	6
Other changes	9	10
End of period	18,264	18,725

Cash flows

Adjusted net financial debt at June 30, 2023 was equal to 26,163 million euros (25,364 million euros as of December 31, 2022).

The Group **Operating Free cash flow** in the first half of 2023 was positive for 762 million euros (positive for 353 million euros in the first half of 2022).

¹ The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 5.23654 at June 30, 2023 and 5.56520 at December 31, 2022.

The main transactions that had an impact on the change in adjusted net financial debt are as follows:

Change in adjusted net financial debt

(million euros)	1st Half 2023 (a)	1st Half 2022 (b)	Change (a-b)
EBITDA	2,670	2,658	12
Capital expenditures on an accrual basis	(1,729)	(1,906)	177
Change in net operating working capital:	(262)	(261)	(1)
<i>Change in inventories</i>	(53)	(37)	(16)
<i>Change in trade receivables and other net receivables</i>	126	77	49
<i>Change in trade payables</i>	(488)	(373)	(115)
<i>Change in payables for mobile telephone licenses/spectrum</i>	(24)	(380)	356
<i>Other changes in operating receivables/payables</i>	177	452	(275)
Change in employee benefits	235	241	(6)
Change in operating provisions and Other changes	(152)	(379)	227
Net operating free cash flow	762	353	409
<i>% of Revenues</i>	<i>9.7</i>	<i>4.7</i>	<i>5,0pp</i>
Sale of investments and other disposals flow	6	2	4
Share capital increases/reimbursements, including incidental expenses	—	7	(7)
Financial investments	(56)	(1,771)	1,715
Dividends payment	(86)	(37)	(49)
Increases in lease contracts	(459)	(376)	(83)
Finance expenses, income taxes and other net non-operating requirements flow	(966)	(645)	(321)
Reduction/(Increase) in adjusted net financial debt from continuing operations	(799)	(2,467)	1,668
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	(799)	(2,467)	1,668

The **Equity Free Cash Flow** in the first half of 2023 amounted to -167 million euros (+338 million euros in the first half of 2022). 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.

The Equity Free Cash Flow is calculated as follows:

(million euros)	1st Half 2023	1st Half 2022	Change
Reduction/(Increase) in adjusted net financial debt from continuing operations	(799)	(2,467)	1,668
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	465	535	(70)
Payment of TLC licenses and for the use of frequencies	24	469	(445)
Financial impact of acquisitions and/or disposals of investments	57	1,771	(1,714)
Dividend payment and Change in Equity	86	30	56
Equity Free Cash Flow	(167)	338	(505)

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first half of 2023 was particularly impacted by the following:

Capital expenditures and investments for mobile telephone licenses/spectrum

Capital expenditures and investments for mobile telephone licenses/spectrum for the first half of 2023, were 1,729 million euros (1,906 million euros in the first half of 2022).

Capex is broken down as follows by operating segment:

(million euros)	1st Half 2023		1st Half 2022		Change
		% weight		% weight	
Domestic	1,325	76.6	1,478	77.5	(153)
Brazil	404	23.4	428	22.5	(24)
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	1,729	100.0	1,906	100.0	(177)
% of Revenues	22.0		25.2		(3.2)pp

In particular:

- the **Domestic Business Unit** presents capex for 1,325 million euros, with a significant portion aimed at developing the FTTC/FTTH networks, down 153 million euros compared to the first half of 2022, mainly due to the 2022 completion by Noovle of the regions connected with the partnership with Google;
- the **Brazil Business Unit** posted capital expenditures in the first half of 2023 of 404 million euros (428 million euros for the first half of 2022). Excluding the impact of changes in exchange rates (+6 million euros), capex was down 30 million euros compared with the first half of 2022. Technological investments represent 91% of total capex 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 Business Unit continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

Change in net operating working capital

In the first half of 2023, net operating working capital showed a reduction of 262 million euros (-261 million euros in the first half of 2022), mainly due to the change in trade payables (-488 million euros), only partly offset by the increase in trade receivables (+126 million euros) and other operating receivables/payables (+177 million euros).

Change in provisions for employee benefits

In the first half of 2023, employee benefits increased by a total of 235 million euros, mainly due to provisions made net of uses related to the outgoing managerial and non-managerial staff, also in accordance with the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and the former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015, as per agreements signed with the Trade Union Organizations and referring entirely to the Italian companies of the Domestic Business Unit.

Financial investments

During the first half of 2023, they came to 56 million euros and mainly included the outlay for the purchase of 100% of the share capital of TS-Way S.r.l., as well as the subscription of the recapitalizations of the companies Polo Strategico Nazionale S.p.A. and TIMFin S.p.A..

During the first half of 2022, they came to 1,771 million euros and mainly included the impact deriving from the acquisition of 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., now incorporated into TIM S.A..

Increases in lease contracts

During the first half of 2023, the item came to 459 million euros (376 million euros during the first half of 2022) and includes the greater value of rights of use entered following new passive lease contracts, increases in lease charges and the renegotiation of existing lease contracts.

Financial expenses, income taxes and other net non-operating requirements flow

In the first half of 2023, the flow has a negative balance for a total of 966 million euros (negative for 645 million euros in the first half of 2022). It mainly includes outflows relating to financial management components, as well as the payment of income tax expense and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during the first half of 2023 resulted in a positive effect on the adjusted net financial debt at June 30, 2023, amounting to 1,070 million euros (1,155 million euros at December 31, 2022); 1,233 million euros at June 30, 2022).

Net financial debt

Net financial debt is composed as follows:

(million euros)	6/30/2023 (a)	12/31/2022 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	13,051	15,259	(2,208)
Amounts due to banks, other financial payables and liabilities	5,755	6,480	(725)
Non-current financial liabilities for lease contracts	4,710	4,597	113
	23,516	26,336	(2,820)
Current financial liabilities (*)			
Bonds	4,638	2,799	1,839
Amounts due to banks, other financial payables and liabilities	2,859	2,240	619
Current financial liabilities for lease contracts	873	870	3
	8,370	5,909	2,461
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	31,886	32,245	(359)
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(141)	(49)	(92)
Financial receivables and other non-current financial assets	(1,159)	(1,602)	443
	(1,300)	(1,651)	351
Current financial assets			
Securities other than investments	(1,478)	(1,446)	(32)
Current financial receivables arising from lease contracts	(94)	(69)	(25)
Financial receivables and other current financial assets	(419)	(154)	(265)
Cash and cash equivalents	(2,385)	(3,555)	1,170
	(4,376)	(5,224)	848
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(5,676)	(6,875)	1,199
Net financial debt carrying amount	26,210	25,370	840
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(47)	(6)	(41)
Adjusted Net Financial Debt	26,163	25,364	799
Breakdown as follows:			
Total adjusted gross financial debt	31,331	31,682	(351)
Total adjusted financial assets	(5,168)	(6,318)	1,150
(*) of which current portion of medium/long-term debt:			
Bonds	4,638	2,799	1,839
Amounts due to banks, other financial payables and liabilities	1,617	1,139	478
Current financial liabilities for lease contracts	854	856	(2)

The financial risk management policies of the TIM Group are aimed at minimizing market risks, fully hedging exchange rate risk, and optimizing interest rate exposure through appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that 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 risks, the Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.

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.

For further details, see the “Alternative performance measures” chapter.

Adjusted Net Financial Debt came to 26,163 million euros at June 30, 2023, up by 799 million euros compared to December 31, 2022 (25,364 million euros), by virtue of the net effect of the positive operating dynamics seen during the half-year, juxtaposed against the need deriving from financial operations and greater lease payables as well as the payment of dividends in Brazil.

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

(million euros)	6/30/2023 (a)	12/31/2022 (b)	Change (a-b)
Net financial debt carrying amount	26,210	25,370	840
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(47)</i>	<i>(6)</i>	<i>(41)</i>
Adjusted Net Financial Debt	26,163	25,364	799
<i>Leases</i>	<i>(5,348)</i>	<i>(5,349)</i>	<i>1</i>
Adjusted net financial debt - After Lease	20,815	20,015	800

Net financial debt carrying amount amounted to 26,210 million euros at June 30, 2023, an increase of 840 million euros compared to December 31, 2022 (25,370 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 41 million euros, essentially following the rise in USD rates on almost the whole curve, in the face of an increase in EUR rates on only the portion of the curve within 5 years, which effectively depresses the value of the cash flow hedges. This change is adjusted by the booked Net Financial Debt with no monetary effect.

Adjusted Net Financial Debt – After Lease (net of lease contracts), which is a parameter adopted by main European peers, was equal to 20,815 million euros at June 30, 2023, up by 800 million euros compared to December 31, 2022 (20,015 million euros), by virtue of the net effect of the positive operating dynamics seen during the half-year, juxtaposed against the need deriving from financial operations and the payment of dividends in Brazil.

Gross financial debt

Bonds

Bonds at June 30, 2023 totaled 17,689 million euros (18,058 million euros at December 31, 2022). Repayments totaled a nominal 17,302 million euros (17,552 million euros at December 31, 2022).

The change in bonds in the first half 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
TIM S.p.A. 400 million euros 6.875%	Euro	400	4/12/2023
(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 1,000 million euros 3.25%	Euro	1,000	1/16/2023
Telecom Italia S.p.A. 375 million GBP 5.875% (a)	GBP	375	5/19/2023

(a) Net of 25 million GBP bought back in June 2016.

Note that:

- on July 12, 2023, TIM S.p.A. successfully listed a bond for an amount of 750 million euros, coupon 7.875%, due July 31, 2028;
- at the settlement date of July 20, 2023, TIM bought back for cash a portion of the bonds “EUR 750,000,000 3.625 per cent Fixed Rate Notes due 19 January 2024” and “EUR 1,250,000,000 4.000 per cent Fixed Rate Notes due 11 April 2024”, for a total nominal amount of 600 million euros (300 million euros each). Once bought back, the loans were canceled.

Revolving Credit Facility and Term Loan

The following table shows committed credit lines^(*) available at June 30, 2023:

(billion euros)	6/30/2023		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).

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, fully drawn down.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 6.9 years.

The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 4.9%, while the average cost of the Group's debt "After Lease" was equal to approximately 4.4%.

Current financial assets and liquidity margin

The TIM Group's available **liquidity margin** at June 30, 2023 amounted to 7,863 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 3,863 million euros (5,001 million euros at December 31, 2022), also including 801 million euros (nominal value) in repurchase agreements expiring by June 2024;
- Sustainability-linked Revolving Credit Facility amounting to 4,000 million euros, totally available.

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

In particular:

Cash and cash equivalents amounted to 2,385 million euros (3,555 million euros at December 31, 2022). The different technical forms of investing available cash can be analyzed as follows:

- **maturities:** investments have a maximum maturity of three months;
- **counterparty risk:** investments by the European companies are made with leading banking, financial and industrial institutions with high credit quality. Investments by the companies in South America are made with leading local counterparties;
- **Country risk:** deposits have been made mainly in major European financial markets.

Current securities other than investments amounted to 1,478 million euros (1,446 million euros at December 31, 2022): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 920 million euros of treasury bonds held by Telecom Italia Finance S.A., 506 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, and 52 million euros of investments in monetary funds by the Brazil Business Unit. 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.

In the second quarter of 2023, adjusted net financial debt increased by 343 million euros compared to March 31, 2023 (25,820 million euros).

(million euros)	6/30/2023 (a)	3/31/2023 (b)	Change (a-b)
Net financial debt carrying amount	26,210	25,717	493
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(47)	103	(150)
Adjusted Net Financial Debt	26,163	25,820	343
Breakdown as follows:			
Total adjusted gross financial debt	31,331	31,287	44
Total adjusted financial assets	(5,168)	(5,467)	299

CONSOLIDATED DATA – TABLES OF DETAIL

To follow, the Separate Consolidated Income Statement, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Cash Flows as well as Other Information of the TIM Group.

Separate Consolidated Income Statement

(million euros)

	1st Half 2023	1st Half 2022	Changes (a-b)	
	(a)	(b)	absolute	%
Revenues	7,846	7,557	289	3.8
Other income	109	78	31	39.7
Total operating revenues and other income	7,955	7,635	320	4.2
Acquisition of goods and services	(3,579)	(3,385)	(194)	(5.7)
Employee benefits expenses	(1,711)	(1,554)	(157)	(10.1)
Other operating expenses	(338)	(342)	4	1.2
Change in inventories	66	35	31	88.6
Internally generated assets	277	269	8	3.0
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,670	2,658	12	0.5
Amortization	(2,429)	(2,295)	(134)	(5.8)
Gains (losses) on disposal of non-current assets	(2)	34	(36)	—
Impairment reversals (losses) on non-current assets	—	—	—	—
Operating profit (loss) (EBIT)	239	397	(158)	(39.8)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(15)	31	(46)	—
Other income (expenses) from investments	3	—	3	—
Finance income	595	773	(178)	(23.0)
Finance expenses	(1,352)	(1,459)	107	7.3
Profit (loss) before tax from continuing operations	(530)	(258)	(272)	—
Income tax expense	(143)	(102)	(41)	(40.2)
Profit (loss) from continuing operations	(673)	(360)	(313)	(86.9)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	(673)	(360)	(313)	(86.9)
Attributable to:				
Owners of the Parent	(813)	(483)	(330)	(68.3)
Non-controlling interests	140	123	17	13.8

Consolidated Statements of Comprehensive Income

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Consolidated Statement of Comprehensive Income, including the Profit (loss) for the period, as shown in the Separate Consolidated Income Statement, and all non-owner changes in equity.

(million euros)		1st Half 2023	1st Half 2022
Profit (loss) for the period	(a)	(673)	(360)
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(4)
Income tax effect		—	—
	(b)	3	(4)
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		3	58
Income tax effect		(1)	(14)
	(c)	2	44
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)	5	40
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		13	(88)
Loss (profit) transferred to Separate Consolidated Income Statement		(5)	14
Income tax effect		—	3
	(f)	8	(71)
Hedging instruments:			
Profit (loss) from fair value adjustments		(170)	631
Loss (profit) transferred to Separate Consolidated Income Statement		101	(384)
Income tax effect		17	(59)
	(g)	(52)	188
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		310	715
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	310	715
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)	266	832
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	271	872
Total comprehensive income (loss) for the period	(a+m)	(402)	512
Attributable to:			
Owners of the Parent		(639)	170
Non-controlling interests		237	342

Consolidated Statement of Financial Position

(million euros)	6/30/2023 (a)	12/31/2022 (b)	Changes (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	19,202	19,111	91
Intangible assets with a finite useful life	7,478	7,656	(178)
	26,680	26,767	(87)
Tangible assets			
Property, plant and equipment owned	14,292	14,100	192
Rights of use assets	5,528	5,488	40
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	565	539	26
Other investments	152	116	36
Non-current financial receivables arising from lease contracts	141	49	92
Other non-current financial assets	1,159	1,602	(443)
Miscellaneous receivables and other non-current assets	2,467	2,365	102
Deferred tax assets	782	769	13
	5,266	5,440	(174)
Total Non-current assets (a)	51,766	51,795	(29)
Current assets			
Inventories	377	322	55
Trade and miscellaneous receivables and other current assets	4,676	4,539	137
Current income tax receivables	134	147	(13)
Current financial assets			
Current financial receivables arising from lease contracts	94	69	25
Securities other than investments, other financial receivables and other current financial assets	1,897	1,600	297
Cash and cash equivalents	2,385	3,555	(1,170)
	4,376	5,224	(848)
Current assets sub-total	9,563	10,232	(669)
Discontinued operations /Non-current assets held for sale			
of a financial nature	—	—	—
of a non-financial nature	—	—	—
	—	—	—
Total Current assets (b)	9,563	10,232	(669)
Total Assets (a+b)	61,329	62,027	(698)

(million euros)	6/30/2023 (a)	12/31/2022 (b)	Changes (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	14,428	15,061	(633)
Non-controlling interests	3,836	3,664	172
Total Equity (c)	18,264	18,725	(461)
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	18,806	21,739	(2,933)
Non-current financial liabilities for lease contracts	4,710	4,597	113
Employee benefits	943	684	259
Deferred tax liabilities	189	84	105
Provisions	844	910	(66)
Miscellaneous payables and other non-current liabilities	1,031	1,146	(115)
Total Non-current liabilities (d)	26,523	29,160	(2,637)
Current liabilities			
Current financial liabilities for financing contracts and others	7,497	5,039	2,458
Current financial liabilities for lease contracts	873	870	3
Trade and miscellaneous payables and other current liabilities	8,158	8,199	(41)
Current income tax payables	14	34	(20)
Current liabilities sub-total	16,542	14,142	2,400
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)	16,542	14,142	2,400
Total Liabilities (f=d+e)	43,065	43,302	(237)
Total Equity and Liabilities (c+f)	61,329	62,027	(698)

Consolidated Statements of Cash Flows

(million euros)	1st Half 2023	1st Half 2022
Cash flows from operating activities:		
Profit (loss) from continuing operations	(673)	(360)
Adjustments for:		
Depreciation and amortization	2,429	2,295
Impairment losses (reversals) on non-current assets (including investments)	(6)	8
Net change in deferred tax assets and liabilities	124	83
Losses (gains) realized on disposals of non-current assets (including investments)	2	(34)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	15	(31)
Change in employee benefits	235	241
Change in inventories	(53)	(37)
Change in trade receivables and other net receivables	126	77
Change in trade payables	(269)	(67)
Net change in income tax receivables/payables	(62)	(62)
Net change in miscellaneous receivables/payables and other assets/liabilities	(135)	380
Cash flows from (used in) operating activities	(a) 1,733	2,493
Cash flows from investing activities:		
Purchases of intangible, tangible and rights of use assets on a cash basis	(1,973)	(2,589)
Capital grants received	—	3
Acquisition of control of companies or other businesses, net of cash acquired	(24)	(1,183)
Acquisitions/disposals of other investments	(35)	(25)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(123)	768
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	6	2
Cash flows from (used in) investing activities	(b) (2,149)	(3,024)
Cash flows from financing activities:		
Change in current financial liabilities and other	143	(505)
Proceeds from non-current financial liabilities (including current portion)	1,250	228
Repayments of non-current financial liabilities (including current portion)	(1,970)	(3,635)
Change in hedging and non-hedging derivatives	(124)	(25)
Share capital proceeds/reimbursements (including subsidiaries)	—	7
Dividends paid	(86)	(37)
Changes in ownership interests in consolidated subsidiaries	—	(4)
Cash flows from (used in) financing activities	(c) (787)	(3,971)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) —	—
Aggregate cash flows	(e=a+b+c+d) (1,203)	(4,502)
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) 33	(19)
Net cash and cash equivalents at end of the period	(h=e+f+g) 2,385	2,383

Purchase of intangible, tangible and rights of use assets

(million euros)	1st Half 2023	1st Half 2022
Purchase of intangible assets	(440)	(603)
Purchase of tangible assets	(1,254)	(1,277)
Purchase of rights of use assets	(494)	(402)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(2,188)	(2,282)
Change in payables arising from purchase of intangible, tangible and rights of use assets	215	(307)
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,973)	(2,589)

Additional Cash Flow information

(million euros)	1st Half 2023	1st Half 2022
Income taxes (paid) received	(76)	(38)
Interest expense paid	(1,097)	(934)
Interest income received	302	284
Dividends received	7	96

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Half 2023	1st Half 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	2,385	2,391
Bank overdrafts repayable on demand - from continuing operations	—	(8)
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	—	—
	2,385	2,383

The additional disclosures required by IAS 7 are provided in the Note "Net Financial Debt" to the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2023.

Other information

Average salaried workforce

(equivalent number)	1st Half 2023 (a)	Year 2022 (b)	1st Half 2022 (c)	Change (a-c)
Average salaried workforce – Italy	34,647	36,866	37,071	(2,424)
Average salaried workforce – Outside Italy	9,196	9,046	8,960	236
Total average salaried workforce ⁽¹⁾	43,843	45,912	46,031	(2,188)

⁽¹⁾ Includes agency contract workers: 31 average employees in Italy in the first half of 2023; 15 average employees in Italy in 2022; 11 average employees in the first half of 2022.

Headcount at period end

(number)	6/30/2023 (a)	12/31/2022 (b)	6/30/2022 (c)	Change (a-b)
Headcount – Italy	40,665	40,752	42,620	(87)
Headcount – Outside Italy	9,522	9,640	9,403	(118)
Total headcount at period end ⁽¹⁾	50,187	50,392	52,023	(205)

⁽¹⁾ Includes agency contract workers: 32 employees in Italy at 6/30/2023; 15 employees in Italy at 12/31/2022; 20 employees in Italy at 6/30/2022.

Headcount at period end – Breakdown by Business Unit

(number)	6/30/2023 (a)	12/31/2022 (b)	6/30/2022 (c)	Change (a-b)
Domestic	40,903	40,984	42,864	(81)
Brazil	9,271	9,395	9,147	(124)
Other Operations	13	13	12	—
Total	50,187	50,392	52,023	(205)

AFTER LEASE INDICATORS

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

EBITDA AFTER LEASE - TIM GROUP

(million euros)	2nd Quarter 2023	2nd Quarter 2022	Changes		1st Half 2023	1st Half 2022	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	1,641	1,554	87	5.6	3,100	2,960	140	4.7
Lease payments	(273)	(257)	(16)	(6.2)	(543)	(480)	(63)	(13.1)
EBITDA After Lease (EBITDA-AL)	1,368	1,297	71	5.5	2,557	2,480	77	3.1

EBITDA AFTER LEASE - DOMESTIC

(million euros)	2nd Quarter 2023	2nd Quarter 2022	Changes		1st Half 2023	1st Half 2022	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	1,107	1,101	6	0.5	2,107	2,130	(23)	(1.1)
Lease payments	(134)	(129)	(5)	(3.9)	(262)	(254)	(8)	(3.1)
EBITDA After Lease (EBITDA-AL)	973	972	1	0.1	1,845	1,876	(31)	(1.7)

EBITDA AFTER LEASE - BRAZIL

(million euros)	2nd Quarter 2023	2nd Quarter 2022	Changes		1st Half 2023	1st Half 2022	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	537	457	80	17.3	998	836	162	19.4
Lease payments (*)	(139)	(128)	(11)	(8.6)	(281)	(226)	(55)	(24.3)
EBITDA After Lease (EBITDA-AL)	398	329	69	21.0	717	610	107	17.6

(*) During the first half of 2023, penalties are not included (approximately 57 million Reais; approximately 10 million euros), connected with the decommissioning plan consequent to the purchase of the mobile business of the Oi Group.

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(million euros)	6/30/2023	12/31/2022	Change
Adjusted Net Financial Debt	26,163	25,364	799
Leases	(5,348)	(5,349)	1
Adjusted Net Financial Debt - After Lease	20,815	20,015	800

EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

(million euros)	2nd Quarter 2023	2nd Quarter 2022	Change	1st Half 2023	1st Half 2022	Change
Equity Free Cash Flow	(50)	37	(87)	(167)	338	(505)
Change in lease contracts (principal share)	(186)	(144)	(42)	(466)	(322)	(144)
Equity Free Cash Flow After Lease	(236)	(107)	(129)	(633)	16	(649)

EVENTS SUBSEQUENT TO JUNE 30, 2023

See the Note "Events Subsequent to June 30, 2023" in the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 of the TIM Group.

BUSINESS OUTLOOK FOR THE YEAR 2023

In light of the performance of the main business segments in the first half of 2023, the guidance already communicated with the approval of the TIM 2023-2025 Industrial Plan, is confirmed.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation.

The TIM Group has adopted an Enterprise Risk Management model that is constantly evolving, aligned with international regulations and standards, to allow the identification, assessment and management of risks in a uniform way within the Group, highlighting potential synergies between the actors involved in the assessment of the internal control and risk management system. The Enterprise Risk Management process is integrated with the strategic and operative planning processes and is designed to identify potential events that may influence business activity, so as to manage the risk within acceptable limits and provide reasonable assurance on achievement of the corporate objectives.

The Enterprise Risk Management Model adopted by the TIM Group:

- identifies and updates, in collaboration with the Risk Owners, the comprehensive portfolio of risks to which the Group is exposed by means of an analysis of the Industrial Plan and the most significant investment projects, the monitoring of the reference context (e.g. macroeconomic and regulatory), specific analyses of risks to which corporate assets may be exposed, the monitoring and continuous analysis of the risk profile, so as to intercept any changes and/or new risk scenarios;
- qualitatively assesses the risks not just individually but also in terms of the portfolio, taking into account correlations;
- supports the management in defining and monitoring risk mitigation plans;
- manages the flow of information to top management and the organizations assigned to assess the Internal Control and Risk Management System (ICRMS), producing the related support reports.

In this context, we highlight the continued Russia-Ukraine conflict and the possible increases in costs connected with inflation pressure. In addition, non-exhaustively, the following additional factors are mentioned: an evolution in market context, entry of new potential competitors in the fixed-line and mobile sphere, the initiation of procedures by Authorities and consequent delays in the implementation of new strategies, problems connected with the new networks and infrastructures, requirements connected to the exercise of the Golden Power by the Government with effects to be assessed in terms of strategic choices and timing of the Plan objectives.

Risks related to the business and industry

Risks related to competition

The telecommunications market continues to maintain a high level of competition that for the TIM Group entails risks of a reduction in market share and pressure on prices in the geographical areas in which it operates. The complex framework has been added to in the fixed market by the recent launch of Iliad, which was already operating on the mobile market.

In addition to the traditional services of the core business, the importance and competition on the innovative services and converging offers market grows, with the extension towards the world of contents, which increases both opportunities and risks for the operators.

On the infrastructural side, competition remains with small local operators but above all with the operator Open Fiber for the supply of fiber optic access connections.

The macroeconomic situation and geopolitical tension have re-sparked inflation in all European countries at levels not seen since the early 1990s, prior to the sector's liberalization.

In the Italian scenario, characterized by amongst Europe's lowest retail and wholesale prices, the inflation drive can lead to additional risks for the sector, which are currently being mitigated through regulator intervention on wholesale prices and the procedures for retail price adjustment.

The evolution of the telephony market and the distribution of contents has entailed the stipulation of multi-year contracts that in some cases require TIM to pay prices to the counterparty by way of guaranteed minimums. 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.

Competitive risks in the Brazilian market lie in the rapid transition of the business model tied to both traditional services and the more innovative ones. As the consumption patterns of the customer base change (migration from voice to data services), service providers need to act swiftly in upgrading their infrastructure and modernizing their portfolios of products and services. In this context, the TIM Brasil group could be impacted by the need for rapid development of technologies and infrastructures.

In the domestic environment, to achieve the strategic objective of mitigating regulatory constraints, reducing the level of debt and increasing the focus on the reference markets, a transformation process has been launched aimed at overcoming the vertically-integrated operator structure with the possibility of separating out the fixed network infrastructure assets from the services, forming separate entities:

- **NetCo:** the network company in Italy, which will also include national and international wholesale business and assets.
- **ServiceCo:** the service company, which will comprise three business units: TIM Enterprise, dedicated to large Italian enterprises and the Italian public administration (and potentially a further spin-off of this

business unit into a separate entity); TIM Consumer, serving Italian families, private individuals and small and medium enterprises; and TIM Brasil, for the Brazilian market.

In the face of this transformation process, the TIM Group has reported that it has received various non-binding offers for its NetCo business and after having assessed its options, has launched exclusive negotiations with KKR with a view to improving the offer and obtaining submission of a conclusive, binding offer. If the TIM Group chooses to complete a deconsolidation, the separation process of NetCo from the TIM Group could be complex, entailing the separation of certain business systems and support services.

In connection with this separation, it is likely that the TIM Group will stipulate a transitional service contract to supply or procure certain services for NetCo and the latter will probably agree to supply or procure certain transitional services for the TIM Group for a sufficient length of time as to facilitate the switch to separate operation. In addition, following this deconsolidation, the TIM Group expects to maintain access to the NetCo infrastructure through a wholesale agreement.

In light of these potential agreements and on the basis of the consequent contractual structures, the TIM Group may be subject, *inter alia*, to:

- unexpected additional costs or negative impacts on its business functions following the separation process or the fulfillment of obligations in respect of NetCo in accordance with such service agreements;
- potential liabilities during the period of this wholesale agreement, if it is unable to satisfy certain obligations for NetCo, each of which may have a negative impact on its financial position and operating results.

In addition, the TIM Group expects a potential deconsolidation of NetCo to bring about improvements in the regulatory context for TIM Enterprise and TIM Consumer on the Italian market, allowing these companies to compete on a par with competitors only on the wholesale market, in accordance with applicable competition law. However, there can be no guarantee that a deconsolidation will indeed take place nor that any such deconsolidation will result in a favorable regulatory environment.

Risks connected with agreements with Suppliers and Partners

The TIM Group entertains important relations with various hardware, software and service suppliers it uses for the function of its network and systems and for customer services. It also uses various suppliers through which to procure network equipment, mobile telephones and accessories necessary for its activity. It also uses multiple suppliers, in particular in connection with smartphone suppliers, suppliers of software licenses and for the implementation of mobile telecommunications networks. In order to achieve transmission capacity and the quality levels necessary to the growing number of subscribers and their changing needs, it partly uses the electronic communications networks of other operators and the networks developed by certain local entities such as Fastweb, Open Fiber and A2A.

The main TIM Group suppliers are involved in the supply of mass-market products (smartphones and software licenses) and in the supply and development of mobile telecommunications networks. There are no restrictions for the TIM Group in replacing such suppliers with others.

One or more of the TIM Group suppliers may not be able to supply the products and/or services concerned. This could impact the TIM Group's capacity to fully control its networks, offer high quality services and conduct its operations or may entail additional costs, each of which may have a significant negative impact on the business, the financial position and operating results of the TIM Group.

The TIM Group also hires a series of subcontractors to maintain its network, manage its call centers and supply, install and maintain the terminals set up at the homes of its customers. Although it operates with a limited number of subcontractors, which it selects and monitors closely, the TIM Group cannot guarantee that their appointments are fulfilled correctly and entirely in compliance with the quality and security standards required nor that the appointments are not further assigned to other third party contractors. If the hardware or software products or related services of or from third party contractors are faulty or if the tasks assigned to its subcontractors are not performed correctly, there could be risks connected with the capacity to make claims against the suppliers or subcontractors, particularly if the guarantees envisaged in the contracts are superseded by those of the TIM Group contracts with customers, in individual cases, or if the suppliers or subcontractors are entirely or partly insolvent. This would also damage TIM Group's relations with its customers and the brand reputations.

There is no guarantee that the TIM Group will be able to obtain the hardware, software and services it needs to go about its business in a timely manner, at competitive conditions and in adequate quantities. If any of these risks should occur, it may create technical problems, damage its reputation, entail the loss of customers and have a significant negative effect on its business, financial position and operating results.

In addition, the TIM Group has stipulated multi-year contracts for the distribution of television contents that require it to pay the counterparties a guaranteed minimum amount. The valuation of these contracts and the estimation of the associated costs is subject to a series of risks and uncertainties that include, amongst others, market dynamics, rulings by the market regulatory authorities and the development of new technologies in support of the services. These estimates are revised from time to time on the basis of the final data in order to ensure that the provisional figures remain within the reasonably foreseeable ranges. In the past, we have addressed risks relating to our internal control procedures in respect of complex contracts and we may need to face similar risks in the future. For example, in the year ended December 31, 2022, the TIM Group recorded significant provisions for contractual risks for onerous contracts. Further details are provided in the Note 22 to the Consolidated Financial Statements at December 31, 2022 of the TIM Group. Not all the factors mentioned are under the TIM Group'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/or the cash flows that will be generated.

Risks related to the development of fixed and mobile networks and ICT

To maintain and expand our customer portfolio in each of the markets in which the TIM Group operates, it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high-quality

network is necessary to maintain the customer base and minimize terminations to protect the Company's revenues from erosion.

The maintenance and improvement of existing installations depend on the Group's ability to:

- deliver network development plans within the time-frames contemplated by business development plans and with the necessary level of effectiveness/efficiency;
- upgrade the capabilities of the networks to provide customers with services that are closer to their needs;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies;
- sustain the necessary level of capital expenditure in the long term;
- expand the capacity of its existing fixed and mobile networks to cope with the increased use of the bandwidth.

A great many of these activities are not entirely under TIM's control and may be impacted by applicable legislation. If TIM is unable to maintain, improve or update its networks, its services and products may be less attractive to new customers and it may lose existing customers to competitors.

Unforeseeable instant increase in traffic

Considerable, unforeseeable instant increases in traffic due, for example, to live video events streamed on the network by an OTT (Over The Top) may, in some cases, have a major impact on the overall performance of the TIM (fixed and mobile) network for the entire duration of the event, causing slow-downs or temporary blocks to communication, with consequences in terms of reputation and customer satisfaction.

4.5G/5G Broadband and the Internet

Also thanks to the use of public funds tied to the NRRP (National Recovery and Resilience Plan), the continuous development of Internet and Broadband services is a strategic goal for TIM, which seeks to increase use of its networks to offset the reduction of traditional voice services. Its capacity to successfully implement this strategy may be negatively impacted if:

- mobile Broadband coverage does not grow as expected;
- the competition grows through to including contiguous market players or technological developments introducing new platforms to access the Internet and/or distribute the Internet;
- it is unable to provide superior Broadband connections and Broadband/mobile services to those offered by its competitors;
- it suffers network downtime or related capacity problems with the network infrastructure;
- delays in obtaining the permits and authorizations necessary;
- delays in the supply of materials and devices as a result of possible supply shocks;
- it is unable to obtain a suitable return on the investments made in developing its network.

However, the implementation of UBB 4.5G/5G mobile technologies depends on a series of factors, including the availability and selection of cutting-edge technologies by suppliers of TIM networks/platforms and devices. If TIM is unable to achieve its goals for the implementation of an adequate UBB (Ultrabroadband) mobile coverage, it may lose market share to its competitors in this strategically important segment.

Each of these factors may have a negative impact on the correct implementation of the TIM Group strategy and, consequently, on the business and operating results of the TIM Group.

More specifically, any delays in NRRP tenders or related activities are subject to predetermined penalties, which could be significant and entail the complete revocation of the contribution assigned to the TIM Group.

UBB fixed access network

One of TIM's goals is to speed up the roll-out of a new telecommunications network that can provide customers with UBB connections, also thanks to the use of public funds tied to the NRRP (National Recovery and Resilience Plan) in the regions in which TIM has been awarded the tender.

However, the implementation of UBB technologies depends on a series of factors, including:

- delays in obtaining the permits and authorizations necessary to install the lines;
- resistance by road managers and public administrations in respect of the use of innovative techniques for excavating and installing fiber optic cables;
- delays in the supply of materials and devices as a result of possible supply shocks;
- increased cost of transport, raw materials and labor of network companies due to inflationary pressure and the increased cost of energy;
- delays in the verifications and controls by SINFI (the national federated infrastructure information system).

If TIM is unable to achieve its goals for the implementation of UBB coverage within the time frame expected, it may lose market share to its competitors in this strategically important segment, which could negatively impact the Group. In addition, in NRRP tenders, any delay in completing commissioning would be sanctioned with predetermined fines that can be very high indeed and long delays may result in complete revocation of the contribution granted.

ICT services and assets in support of the business

The TIM Group intends to continue to focus on the convergence of Information Technology-Telecommunications, turning to the ICT market and offering the management of networks and infrastructure as well as application management services. In particular, as the cloud service market continues to grow, the ICT market should become a key element of its strategy.

This is why the National Strategic Hub (“NSH”) has recently been established, of which the TIM Group holds a 45% share and which deals with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for Italian national and local public administrations.

TIM expects the competition on this market to intensify with the entrance of new players, in particular telecommunications operators collaborating with IT operators.

The failure or partial pursuit of its strategies related to the development of assets and services in support of the business by TIM may prevent achievement of its objectives in what is considered a strategic sector, as well as potentially damage its reputation.

Cyber security risks

Cyber risk is on the increase worldwide and as such requires continual monitoring by TIM, given the sheer amount of IT assets the company manages in terms of own TLC infrastructure and assets necessary to deliver services to customers, some of which, considered essential, come under the scope of recent legislation governing the National Cyber Security Perimeter.

Cyber attacks can interrupt availability of service and compromise data, putting the company's reputation as supplier of critical national infrastructures at risk, as well as resulting in financial losses, reduction of market share and regulatory sanctions.

In view of these considerations, particular attention was paid to protecting networks from main threats (e.g. viruses, malware, hackers, data theft). With a wide range of attackers (Cyber-Criminals, Cyber-Terrorists, Insiders, etc.), TIM carries out activities not only to safeguard its infrastructure but also – with a strong sense of responsibility – to protect customers' information assets, that are a priority target for the company and for the country system.

As regards prevention, TIM monitors cyber risk analyses, defining security plans for the company's IT assets, to identify the actions necessary to mitigate cyber risk in advance and guarantee a security by design approach, also monitoring the plans of these actions and controls on actual adoption in the field. The company 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.

As for its identification of and response to cyber attacks, the Security Operation Center (SOC), operates 24/7, 365 days a year, in order to manage IT security incidents and help limit their impacts. TIM has also implemented an insurance program to cover cyber risks.

In terms of the understanding and prevention of cyber threats, TIM has equipped itself with a dedicated Threat Intelligence structure, which acquires, processes and uses data and information obtained from multiple external sources (public, private, institutional and deep and dark web) to increase its capacity to identify and promptly combat cogent threats and outline scenarios of evolution of the risk and threat.

This is the context in which the exchanges of information and collaboration with the National Cybersecurity Agency (ACN) and other institutions (such as the Computer Crime Center for Critical Infrastructure Protection - CNAIPIC), fall.

In connection with the Russia-Ukraine conflict, TIM continues to liaise with the National Cybersecurity Agency (ACN).

More specifically, following the evolution of the crisis and the information exchanged on a European level and with NATO, TIM has been invited to raise the level of alert in connection with the cyber risk.

Business Continuity Risks

The TIM Group's success depends largely on the continuous, uninterrupted performance of its IT systems, network and certain hardware and data centers it manages for its customers. In addition, the TIM Group's operations entail the daily processing and archiving of large quantities of customer data and call for the uninterrupted, accurate, permanently available, real-time, secure transmission and archiving of customer and other data, in compliance with applicable law and regulations.

The TIM Group's technical infrastructure (including the network infrastructure for fixed and mobile telecommunications services) and the assets managed on behalf of customers, are vulnerable to damage or interruption due to technological failures, blackouts, flooding, storms, fires, acts of terrorism, unlawful acts, human error and similar events. Unforeseen problems involving the TIM Group's structures, system failures, hardware and software failures, computer viruses and cyber attacks (including theft of information, data corruption, operating interruptions or financial losses connected to the foregoing) and data loss, as well as terrorist attacks against its infrastructure could impact the quality of its services and cause interruptions of service. Each of these events could entail a reduction in user traffic and revenues and may have a negative impact on the satisfaction levels of TIM Group customers, reduce its customer base and damage its reputation.

TIM has adopted a “Business Continuity Model System” (BCMS) framework in line with international standards, to analyze and prevent these risks.

TIM considers Business Continuity a fundamental factor for the protection of the Group's Value and Reputation, in the provision of its services and in full compliance with what is defined in customer contracts, in sector regulations and, more generally, in consistency with reference methodologies and best practice.

TIM implements an ongoing management and governance process which, supported by the Company Management, ensures that the necessary steps are taken to identify the impact of potential losses, that recovery plans and strategies are practical and that continuity of services is guaranteed through training programs, tests, exercises and periodic updating and revision activities.

TIM also carries out period risk assessments of the corporate assets with a view to assessing and mitigating the risks of possible direct damages and/or interruptions of business, equally implementing specific insurance programs to cover these risks.

In 2021, TIM launched the ISO 22301 certification process (Security and resilience - Business continuity management systems) relating to the governance of its BCMS and the most important processes. To date, 41 processes have been certified in the areas: Technology, Customer Operations, Sales, Financial, Security and HRO. This will make it possible to both improve the continuity of services offered and provide greater guarantees in this respect to its stakeholders.

Fraud risks

Technological progress means that increasingly sophisticated tools and techniques, which are quick acting and have a considerable economic impact are available for the perpetration of fraud and abuse.

“Conventional” phenomena such as subscription, interconnection, and commercial fraud currently generate the highest part of revenue loss and will continue to be significant in the near future, however new types of Internet-style fraud are gradually gaining more ground (Internet spamming/phishing, service reselling, VoIP bypass, etc.). Furthermore, some specific types of provided services (e.g. wholesale interconnection, voice or data services, Premium services) are potentially at risk of third party use for the construction of fictitious transaction schemes, tax avoidance offenses and/or international money laundering.

The TIM Group has had an established organizational model based on the governance of fraud in place for some time. It envisages a series of fraud risk assessments that, together with the evidence of internal and external fraud management, help identify, plan and monitor the operative supervision of the prevention of and fight against fraud.

The procedure to combat external fraud, drawing on company processes at risk of the offenses contemplated in Italian Legislative Decree no. 231/2001 being committed, sets out internal control mechanisms, including instructions on how employees and Company staff/partners (including suppliers) must behave (prevention). In the detection stage, potential cases of fraud are identified and after a preliminary check of the possible grounds the cases may be subject to Investigation and Tackling. To complete the fraud management end-to-end cycle, the results of actions taken are assessed with monitoring and any actions to improve the fraud management process are identified.

The fight against internal fraud, implemented in compliance with the limits imposed by the recently updated trade union agreements prohibiting distance monitoring of staff at work, is carried out through the detection of information relating to the concentration of anomalous operations that flag-up possible cases of serious wrongdoing.

Risks linked to the main sustainability topics

For many years now, the Group has been actively involving and systematically consulting with its stakeholders with a view to improving the company's environmental, social and governance (ESG) performances. The results of engagement activities, as seen from the materiality matrix, are reflected in the Sustainability Plan, which is key to the Group's three-year Strategic Plan.

The plan of action in support of the ESG strategy aims to assure a concrete, significant impact on business development, which has upheld goals of environmental protection and social inclusion.

Below are the main ESG risks and events that affect TIM:

Climate and the circular economy

The TIM Group value chain and operations have a negative environmental impacts, in particular in terms of greenhouse gas (GHG) emissions and electronic waste (or “e-waste”). Most of the greenhouse gas emissions are generated in the supply chain, whilst electronic waste mainly comes from the end of the life cycle of mobile devices, routers and network devices.

The TIM Group is seeing increasing demands and expectations on the part of customers, institutions, investors and other stakeholders, which call for the management of the negative environmental impacts deriving from greenhouse gas emissions and electronic waste.

There is also increasing regulatory pressure, at both a national and European level, in connection with topics such as energy efficiency in data centers and the extension of the life cycle of electronic devices. These provisions may increase the Company's costs.

The TIM Group has set itself the goal of becoming carbon neutral by 2030, also thanks to the commitment to purchase 100% renewable energy by 2025. In addition, it has also undertaken to reach net zero emissions by 2040 and to reduce the emissions of its value chain (Scope 3) in connection with the purchase of goods and services, the purchase of instrumental assets and the use of products sold to customers, by 47%.

The worsening of climate change, with the continuous increase in global average temperatures increases the probability and severity of extreme weather events, such as heat waves, flooding and wind storms that can cause major interruptions to telecommunications and ICT services, reduce the efficiency of work (hours effectively worked) and consequently impact TIM's business. More extreme weather conditions can also result in the need for additional investments in cooling technology and other, more resilient infrastructures.

Failure to implement circular business models, like the offer of products designed by applying environmentally-sustainable criteria or using recyclable materials can result in fewer cost saving opportunities and the failure to make additional revenues.

Being unable to satisfy the requests and expectations of stakeholders can impact reputation, result in lesser revenues or limit access to sustainable finance.

The increase in electricity prices, the availability of renewable energy certificates or the potential introduction of a carbon tax may also increase the operating costs for the Company.

Social inclusion

The digital divide is an obstacle to the dissemination of digitization, the growth of the country and the correlated connectivity services, with the risk of commercial repercussions.

TIM is very much committed to promoting digital inclusion in Italy, also thanks to NRRP tenders, like those for the “Scuola Connessa” and “Sanità Digitale” or the PSN plan aiming to strengthen the digitization of the Italian public administration. To promote digital inclusion, TIM also looks to digital identity services: more than 5 million services are operative including certified e-mail, digital signature and the public digital identity system (SPID) allow citizens and businesses to access the online services of the public administration. Failure to implement its strategy could damage the reputation even worse than cause a loss in revenues.

Personnel competences and engagement

The capacity to attract and retain qualified, specialized, motivated personnel is key to the success in pursuing the strategic goals and achieving a high level of customer experience.

The search for qualified ICT and Cybersecurity staff is becoming increasingly demanding. Indeed, to secure the right skills, TIM needs to hire, develop and withhold highly-qualified employees a lack of which can impact TIM's capacity to develop new business areas or those enjoying strong growth and consequently prevent it from succeeding in the pursuit of its strategy.

Financial risks

The TIM Group may be exposed to financial risks, such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks 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.

Generally, the TIM Group hedges exposure in foreign currencies but not the risk of transfer relating to its foreign subsidiaries. According to the Group policies, hedging of the exposure in foreign currencies is mandatory when relating to the financial liabilities. Therefore, the TIM Group - which has stipulated, and may continue to stipulate, an increasing portion of loans in currencies other than euro - primarily in US dollars and British pound sterling - in line with its risk management policies, generally hedges this exposure to the exchange rate risk through cross-currency and interest rate swaps. However, the hedges may not manage to effectively protect the TIM Group from adverse changes in the exchange rates. As regards the transfer risk, the performance of the euro exchange rates with respect to the other currencies (in particular the Brazilian real) may have a negative impact on the consolidated results. Appreciation of the euro with respect to the currencies of certain countries in which the TIM Group operates or has made investments, will reduce the related value of the revenues or assets, of the transactions implemented in such countries and, therefore, may have a negative impact on the operating profit or financial position.

In addition, the TIM Group is also 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 to minimize 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. Any change to interest rates that has not been adequately hedged by derivatives may impact TIM's variable rate financial liabilities, which may have negative impacts on the results of its transactions and on cash flows.

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

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

These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIM Group has established guidelines, at central level, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved.

In particular, in order to mitigate the liquidity risk, the TIM Group aims to maintain an "adequate level of financial flexibility", in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12-18 months.

Commercial Credit Risk

The operations of the TIM Group depend significantly on the capacity of its customers to pay for services. In Brazil, in accordance with Anatel regulations, the TIM Group is authorized to take steps to reduce customer default, such as, for example, by limiting the services supplied by the TIM Group to customers with a history of default. If the TIM Group is not able to take steps to limit the failure to pay by its subscribers or that allow it to accept new subscribers on the basis of their credit history, the TIM Group will remain subject to inability to collect that could have a negative impact on the expected results.

Risks related to macro-economic factors

The TIM Group's economic and financial situation, including its capacity to support the expected level of cash flows and business margins, depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates, inflation rate and exchange rates in the markets where it operates.

These factors come in addition to the uncertainties tied to the evolution of the war in Ukraine and the structural transformation of the energy markets.

In 2022, the Italian GDP grew by 3.7%¹. This growth was obtained thanks to the positive contribution made by the manufacturing and tourism segment. By contrast, the continuation of the war in Ukraine and the performance of commodity prices that remained high, despite a progressive easing of commodity prices, and the high interest rates will have a negative impact over the coming months, reducing the growth forecast for 2023 to a value of around 1.2%².

The annual average inflation recorded in 2022 of 8% is due to a more generalized increase in prices and that no longer only regards energy. Despite some early signs of a slow-down, inflation is reducing the buying power and the value of financial assets of the families and businesses. The high levels of inflation have led the European Central Bank to confirm its interest rate policy, which has further weakened the spending power of families and businesses.

The volatility in the energy prices impacts European industry, especially the more energy-intensive sectors. The shock of the energy supply has revealed the dependency of European countries on fossil fuels. The greater uncertainty is tied to the growth of the other major world economies, possible developments of the war in Ukraine and its possible repercussions both in terms of sanctions and impacts on the energy market.

With regard to the cost of energy, TIM Group has implemented a hedging and saving program that, on the domestic perimeter, has made it possible to cover most of the 2022 and part of the 2023 requirements in advance.

One point worthy of particular attention is the impact that the current geopolitical context may have on the supply chain. More specifically, a scenario of inflation affecting energy costs can impact transport costs and commodity costs too. In addition, an increased sense of geopolitical risk and stress within the global procurement chains following the COVID-19 pandemic and the Russia-Ukraine conflict are contributing towards fears of a slow to global trade growth. A series of targeted interventionist policies by the West in regard to countries that depend on the import of advanced technology and growing tension between the United States and China may heighten what is already a tense situation.

For Brazil too, 2022 growth was higher than initially expected and came to 2.9%³. In general, Brazil suffers the slow-down of the global economy, in particular the USA and China.

Also following a restrictive monetary policy that helped somewhat restore the credibility and stability of the Brazilian currency and limit inflation, a slowing of growth is expected for the Brazilian economy in 2023, which should settle at around 2%⁴. The reduction in growth and the need to maintain subsidies for the poorer portion of the population, who are experiencing difficulty in coping with the rise in the cost of petrol and food products, coupled with the growing public and private debt are the main risks and challenges the country is facing following the presidential elections at the end of the year.

Geopolitical uncertainty

The Russia-Ukraine conflict has uncertain implications that should become clearer over time. At present, the impact of the geopolitical situation on the TIM Group's business is indirect, mainly linked to the increase in costs for energy, materials and transport.

If military, economic and political tensions should continue to grow, the situation could have major consequences globally, causing a serious threat to global security that could increase and intensify risks for the TIM Group. Such risks include the security and protection of the TIM Group workforce, the possibility that cyber attacks may strike the networks and data of the TIM Group or its customers, an increased probability of a shock of the supply chain that would entail higher inflation in the short and medium term.

More specifically, for the TIM Sparkle entities (a TIM Group member) that operate in the areas impacted by the Russia-Ukraine conflict, no significant repercussions have been recorded on commercial relations, the demand for international services by the areas involved by the conflict and the substantively regular collection of trade receivables. The TIM Group does not have significant assets in the countries concerned. The Russia-Ukraine conflict has indirectly also led to a general increase in energy prices and, for the quarter closed at March 31, 2023, some TIM Sparkle entities have incurred higher energy costs than in previous periods. The increase in energy prices has also entailed an increase in inflation and, ultimately, the cost of finance. The TIM Sparkle entities are taking steps to reduce the fluctuation in energy costs in around 40 countries worldwide. In Italy, the steps taken by the TIM Sparkle entities are in line with the TIM Group strategies to address inflation. In addition, the Russia-Ukraine conflict could entail cyber attacks against the countries supporting economic sanctions against Russia. The TIM Sparkle entities are liaising with the National Cybersecurity Agency (ACN) to raise the ICT monitoring alert level for cyber security risks and, in line with the other TIM Group entities, have incorporated the technical indications given by the ACN.

New COVID-19 variants

Although the peak of the COVID-19 pandemic has passed, the possibility of new outbreaks due to new variants cannot be excluded entirely. This could impact the TIM Group's operations and may lead to a decline in roaming volumes, lesser customer growth, an increase in bad debt, negative effects on network maintenance and the supply chain with a consequent reduction in margins, revenues or delays in cash flows.

Risks relating to the legislative and regulatory context

The TIM Group may be exposed to risks of non-compliance (Compliance Risks) due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws, regulations, new accounting standards and Authority orders), with consequent judicial or administrative penalties, financial losses or reputational damage.

¹ ISTAT - 2023 Annual Report (July 2023)

² ISTAT - Prospects for the Italian economy in 2023-2024 (June 2023)

³ Instituto Brasileiro de Geografia e Estatística IBGE - March 2023

⁴ Banco Central do Brasil - Inflation Report June 29, 2023

The TIM Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformances are identified and is monitored by the dedicated internal control system.

The TIM Group has to deal with disputes and litigation with tax authorities and government agencies, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of settlement unfavorable to the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

With reference to investigation I820 of AGCM (the Italian Competition Authority) in respect of TIM, note that on July 25, 2023, the Council of State reformed the decision of the Regional Administrative Court, confirming the validity of the AGCM measure on case I820, with the exception of the quantification of the sanction, which must be redetermined by the Authority, taking into account a lesser duration of the understanding.

The sanction initially imposed on TIM - reformed by the specified decision taken by the Regional Administrative Court - for the alleged participation in the anti-competition understanding was 114,398,325 euros.

The reduction in the duration of the infraction must therefore also be assessed in connection with the intensity and effects the conduct had on the market. It is not therefore presently possible to provide a sufficiently reliable estimate of how the amount of the sanction may be redetermined by AGCM.

The company is aware that the use of estimates is an essential part of preparing financial statements and does not affect their reliability. This is particularly true in the case of provisions that, by nature, are more uncertain than many other items in the statement of financial position.

With specific reference to the above-specified investigation I820, the assessment of a potential Provision for Risks would fall within a range characterized by numerous aspects of uncertainty, in which not all the variables to be defined in order to achieve a reasonable, reliable estimate are presently known, having to be based on the analysis of not only quantitative but also qualitative elements.

During the second half of the year - also following discussions with the Authorities - we will be better able to provide a more detailed description of the scope of the risk and assess a provision (Non-Recurring Provision for Risks with impact on reported EBITDA) to be made specifically, at the same time also providing an estimate of the financial effects and an indication of the uncertainty relating to the amount of the expected outlay.

Regulatory risks

The electronic communications industry is highly regulated. As such, new decisions by the Italian Communications Authority (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group and the guidance announced to the market. In addition, the position of significant market power held by TIM in the fixed-line access markets and the structure of the mobile markets results in high levels of scrutiny from the AGCM (the Italian Competition Authority) over competition in the sector.

The main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent final decisions in new proceedings by AGCom and AGCM (the Italian Competition Authority);
- AGCom decisions with retroactive effect (for example, the revision of prices applicable to past years and the effectiveness and actual implementation of repricing policies, also following administrative rulings);
- AGCom decisions that can influence the technological choices, with potential impact on the timing of return on infrastructure investment;
- any AGCM (the Italian Competition Authority) decisions that can limit TIM's competitive capacity (for example, in terms of minimum retail prices to guarantee replicability);
- any alleged inadequacy in the implementation of processes and systems for the management of regulated services, identified by AGCom or AGCM (the Italian Competition Authority);
- any AGCom or AGCM (the Italian Competition Authority) decisions that impose constraints on the pricing of fixed-line and mobile offers on the basis of consumer protection legislation.

General Data Protection Regulation (GDPR)

Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), which became directly applicable as from May 25, 2018 and has been enacted in Italy by Legislative Decree no. 101/2018 has increased administrative fines considerably compared to the Data Protection Act previously in effect, and in some cases fines of up to 20 million euros may be administered, or in the case of companies, of up to 4% of their global annual turnover of the previous year, if this amount is higher than 20 million euros.

In order to guarantee - in TIM and under the scope of the Group Companies - the conformity of personal data processing with the GDPR and the Personal Data Protection Code (Italian Legislative Decree no. 196 of June 30, 2003), TIM adopts all the initiatives necessary to comply with said provisions. More specifically, in 2022, a project was launched to revise TIM's privacy model, which resulted in the update of the processing register and the texts of all disclosures on personal data processing, provided by TIM and the other Group companies to different types of Data Subjects (e.g. customers, employees, visitors).

The Company's operative processes have been adapted according to the principle of privacy-by-design, with special attention paid to the commercial, relations with customers and technological processes, adopting the methods defined by corporate regulations dedicated to the application of the GDPR and the provisions of the Data Protection Authority. Personal data processing, where specific risks are entailed, is subject to preventive Privacy Impact Assessment (PIA) according to the indications of the European Data Protection Board (EDPB), it is censused and the related responsibilities are attributed to the suitable managerial level of the Company's

organization, as envisaged by the Privacy Code in application of the accountability principle laid down by the GDPR.

TIM constantly monitors the evolution of the rules, regulations and opinions adopted by the Data Protection Authority (GPDP), takes all steps necessary to ensure compliance with such provisions and also undertakes to maintain and continuously verify the effectiveness of the controls adopted.

However, the risk of shortcomings in the implementation of security measures, in compliance with legal requirements governing data processing, in applying rules on data storage, in notifying data breaches by the mandatory strict (and narrow) deadlines, could lead to disputes with the data protection authority and the consequent application of sanctions. In addition, the risk of personal data breach can lead to disputes with data subjects and reputational damages, consequently impacting TIM's business.

Health and Safety at Work

TIM ensures compliance with legislative provisions on health and safety in the workplace aimed at preventing possible accidents and damage to health in any way linked to job performance. It therefore assesses the risks to the health and safety of workers in order to gradually reduce them to a minimum and prepares the related Risk Assessment Document, adopting the principles, standards and solutions that aim to achieve "zero accidents in the workplace" and implementing suitable prevention measures and checking their adequacy and efficiency.

Awareness-raising and involvement with regard to health and safety policies and objectives, and relating to internal control systems, as well as training and information about the risks and the control measures adopted, are considered essential tools to achieve the expected results. In order to integrate and further strengthen internal control and management methodologies, as well as to promote initiatives aimed at raising the quality of work environments with the aim of improving their livability and the well-being of employees, a new management system that complies with recognized standards (ISO 45001) was implemented in 2021, covering all processes relating to office and mixed use property assets.

Golden Power

The "Golden Power" Decrees, with reference first and foremost to Decree Law No. 21/2012, that assign the government special powers over corporate structures in the defense and national security sectors, as well as for activities of strategic importance in the telecommunications sector, affect the public-private relationship, adding value to the technological assets and services included in the Golden Power perimeter, due to the pursued institutional purpose. This could, on the one hand, limit TIM's autonomy in going about its business in the area of strategic services, but on the other, as a strategic operator, TIM can guarantee advantages to its shareholders, making a potential change in TIM's controlling stake more complex and thus protecting investments; guaranteeing a higher level of assurance of the strategic services and assets.

In summary, the Prime Minister established that the Company is subject to the obligations pursuant to Legislative Decree no. 21/2012 (the "Golden Power Decree", setting out special powers rules) on September 28, 2017, as a business that:

- carries out "activities of strategic importance for the defense and national security system" (as per article 1 of the Decree Law) and
- possesses networks and systems "necessary to ensure the minimum supply and operation of essential public services" and goods and relationships "of strategic importance for the national interest" in the communications sector (as per article 2 of the same Decree Law).

The regulatory architecture relating to TIM, consequently, involved a first phase in 2017 on the issue of the Prime Ministerial Decrees of October 16 and November 2.

With the ruling of October 16, 2017, the Presidency of the Council of Ministers exercised the special powers provided for in article 1 of the Decree Law no. 21/2012 by imposing specific provisions and conditions on TIM and the subsidiaries Telecom Italia Sparkle and Telsy. Amongst others, the measures concern corporate and organizational governance; in particular, the obligation to ensure the presence on the Boards of Directors of a Security Chief Executive Officer - currently coinciding with the Chief Executive Officer - (who has Italian citizenship and security authorization) and the establishment of a Security Organization unit. This last, directed by the Security Officer, undertakes activities that are relevant for national security and is involved in all decision-making processes relating to strategic activities and the network.

With a ruling on November 2, 2017, the Presidency of the Council of Ministers also exercised the special powers provided for in article 2 of the Decree Law 21/2012, through the imposition on TIM of further requirements and conditions with the aim of assuring suitable development plans, able to guarantee a continuity of supply of the universal service.

Failure to observe the provisions envisaged in order to exercise the power of veto, except where the matter is an offense, results in the application of a pecuniary administrative sanction of up to double the value of the transaction and in any case no less than 1% of the cumulative turnover.

The government's ruling has subsequently evolved through Decree Law no. 21/2022 (Urgent measures to combat the economic and humanitarian effects of the Ukraine crisis), converted with amendments by Italian Law no. 51/2022, which introduced new features regarding both corporate management and 5G technology-based communication services.

As regards the latter issue, by this Decree, the legislator renewed the close attention paid to 5G, insofar as an activity of strategic importance for defense and national security, extending the scope of reference from the non-EU supplies taken as reference by the previous Law no. 41 of 2019 to include any supply relating to 5G, regardless of the geographic location in which the supplier is based, and redefined the State's special powers.

More specifically, the Decree made it mandatory for companies to preventively notify the Presidency of the Council of Ministers an Annual Purchasing Plan of goods and services in 5G technology, with the possibility of making four-monthly updates.

The Plan is subject to approval by the government, which may potentially also lay down conditions or requirements; failure to notify results in a sanction being applied to the company in the amount of up to 3% of its turnover.

National Cyber Security Perimeter

The framework of provisions regarding National Security (PSNC) has flanked the Golden Power regulations with those relating to the National Cyber Security Perimeter, established by Law no. 133 of November 18, 2019, converting Decree Law 105/2019.

The regulations in this area are hinged on three elements, governed by the subsequent implementing decrees, which constitute the same number of obligations for TIM, as strategic operator: the adoption of security measures aimed at guaranteeing high security levels for ICT assets, the secure award of ICT supplies and the notification of security incidents.

Compliance with the obligations laid down by regulations governing the PSNC (National Cyber Security Perimeter) means, for TIM, an impact in organizational terms and as regards operative processes, in line with the restrictions aiming to guarantee a high level of security of networks, information systems and the computer services of public administrations, public and private operators and entities based in Italy, in consideration of the fact that such elements are responsible for the performance of a service that is essential for the maintenance of civil, social or economic activities, fundamental for the interests of the State and the malfunctioning, interruption, even partial, or improper use of which could damage national security.

Failure by TIM to observe the regulatory obligations in the PSNC area entails administrative fines of up to 1.8 million euros. In addition, the use of products and services without the envisaged communication to the relevant authorities or passing of tests or in breach of the conditions established may result in the application of the accessory administrative sanction of incapacity to hold appointments of management, administration and control in legal entities and companies, for a period of three years from the date on which the violation is ascertained. Finally, anyone providing information, data or elements of fact that are not true, in order to hinder or impact procedures and inspections and supervision, shall be punished by imprisonment from one to three years.

MAIN CHANGES IN THE REGULATORY FRAMEWORK

Domestic

In this section we report the main changes in the regulatory framework in the first half of 2023 in the Domestic region.

As regards the Antitrust proceedings, as well as the proceedings regarding the so called “28-day invoicing”, see the Note “Disputes and pending legal actions, other information, commitments and guarantees” in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2023.

European regulations

Intra-European roaming regulation

The Roaming Regulation 2022/612, which came into force on July 1, 2022, extends the advantages of roaming at national tariffs to European travelers within the European Union (Roam Like At Home) through to 2032 and introduces additional advantages and protection for consumers:

- quality of service: roaming providers shall be obliged to offer the same quality of service in roaming as is available nationally, if the same conditions are available on the network in the destination country;
- better access to and free emergency services;
- greater transparency regarding costs of added-value services;
- greater transparency regarding the costs of roaming on non-terrestrial mobile networks (ships and aircraft).

In addition, a further reduction is envisaged of the wholesale maximums to guarantee sustainability for operators:

	2022	2023	2024	2025	2026	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 €cent/GB	2	1.8	1.55	1.3	1.1	1

The European Commission should also assess the measures relating to intra-EU communication (calls and SMSs from one's own country to another Member State) and verify if, and to what extent, the maximums should be reduced to protect consumers after 2024.

2030 Policy Program “Path to the Digital Decade”

On December 19, 2022, Decision (EU) 2022/2481 of December 14, 2022 was published in the Official Journal of the European Union, instituting the strategic program for the 2030 digital decade. The decision came into force on January 9, 2023.

The decision partly redefines the digital objectives of the Communication from the European Commission COM(2021) 118 final of March 9, 2021 (the “Digital Compass” Communication):

- a digitally skilled population and highly skilled digital professionals with the aim of achieving gender balance: at least 80% of the population with basic digital skills and 20 million ICT specialists employed in the EU;
- secure, resilient, performant, sustainable digital infrastructures: in particular, the aims of Gigabit coverage to the termination point for all end-users of fixed networks and coverage of all inhabited zones with next generation, high-speed wireless networks offering performance at least equivalent to 5G and to install at least 10,000 peripheral nodes with zero climate impact and that are highly secure, distributed in such a way as to guarantee access to low latency data services (a few milliseconds) wherever the enterprises are located;
- digital transformation of businesses: at least 75% of businesses use cloud computing and/or big data and/or artificial intelligence; basic digital intensity level for at least 90% of the SMEs and doubling up of the number of unicorn (innovative) businesses;
- digitalization of public services: 100% of online digital public services; 100% of citizens with access to the electronic health files and digital identity.

The decision also envisages an annual cooperation mechanism with the Member States, which consists of:

- a structured, transparent, shared monitoring system based on the Digital Economy and Society Index (DESI) to measure progress made towards each of the 2030 objectives, a system of key performance indicators (KPIs) is currently being defined by the Commission by enforcement deed;
- an annual report on the status of the digital decade, in which the Commission will assess progress and recommend actions;
- strategic multi-annual roadmaps on the digital decade for each Member State, in which the policies adopted or planned must be indicated, as well as the measures implemented in support of the 2030 objectives;
- an annual structured framework to discuss and manage the areas with insufficient progress through recommendations and commitments shared between the Commission and the Member States;

- a mechanism by which to support the implementation of multinational projects.

On June 30, 2023, the European Commission adopted implementing decision C(2023) 4288 final, setting out key performance indicators to measure the progress towards the digital targets, which will come into force 20 days after publication in the EU Official Journal.

State aid in the favor of Broadband networks

On December 12, 2022, the European Commission adopted the new guidelines on State aid for Broadband networks (Communication C(2022) 9343 final), which revise the previous 2013 guidelines, in particular:

- market failure is redefined for the fixed networks and can now exist where the market is unable to supply and it is unlikely to supply end users with a speed of at least 1 Gbps in download/150 Mbps in upload. In black areas (with at least two fixed networks and at least 100 Mbps), the aid may be authorized if none of the networks present (or credibly planned) reach at least 300 Mbps in download;
- specific guidelines are given for mobile networks, where a market failure can exist in areas where a mobile network is not present or not credibly planned that can satisfy the needs of end users (including for specific use cases). In the event of legal obligations (e.g. connected with rights to use the radio spectrum), aid may be granted to cover only the additional costs linked to improving quality of service;
- guidelines are introduced regarding state aid in support of demand (vouchers) divided up into two categories: i) social vouchers intended for specific categories of users (e.g. low income) to acquire or maintain a Broadband connection; ii) Internet connectivity vouchers, which may be designed for broader categories of end users to incentivize demand, thereby excluding grants to maintain an existing service.

On June 23, 2023, the Commission also adopted Regulation C(2023) 4278 final, amending the General Block Exemption Regulation (Regulation (EU) No 651/2014) declaring certain categories of aid exempt from notification to the European Commission.

Digital Markets Act (DMA)

On October 12, 2022, the text of the Digital Markets Act (or “DMA”, Regulation (EU) 2022/1925 of the European Parliament and of the Council of September 14, 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828 (Digital Markets Act).

The new Regulation aims to guarantee more contestable, fairer digital markets through the regulation of the main platforms managed by the gatekeepers (subjects with annual turnover in the European economic area in excess of 7.5 billion euros or average market capitalization in excess of 75 billion euros, as well as providing a platform service to at least 45 million end customers operating monthly and more than 10,000 business users operating annually). The Regulation scope excludes the electronic communication services and networks (other than those relating to interpersonal communication services regardless of the number).

Specific obligations and prohibitions are envisaged that the gatekeepers must observe to avoid incurring sanctions (up to 10% of the global annual turnover).

The obligations assigned to gatekeepers include, for example, that of allowing commercial users to offer the same products or services to end users through third party online intermediation services or their own online direct sales channel at prices or conditions that differ from those currently offered through the online intermediation services of the gatekeeper or that of allowing commercial users, free of charge, to communicate and promote offers, including at different conditions, to end-users acquired through the gatekeeper service or other channels and to stipulate contracts with the end users, regardless of whether or not they use the services of the gatekeeper. There is also an obligation for gatekeepers to make their interpersonal communication services interoperable via reference offers.

Prohibitions include, for example, self-preferencing of the products or services of the gatekeeper or the cross-use of data of customers also acquired through the sale of third party services.

The DMA envisages a period of adjustment to the new rules that will last through to early 2024. Specifically, the rules apply from May 2, 2023 with the Commission set to designate the gatekeepers for the first time in September 2023 and the platforms indicated as gatekeepers must comply with the new obligations and prohibitions laid down as from March 2024.

Digital Services Act (DSA)

On October 27, 2022, the text of the Digital Services Act (or “DSA”, Regulation (EU) 2022/2065 of the European Parliament and of the Council of October 19, 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC (Digital Services Act). The new Regulation aims to create a harmonized framework on an EU level of the specific obligations of diligence for certain intermediate service suppliers, guaranteeing respect for the rights of on-line service users residing in the EU, regardless of the supplier's origin.

The addressees of the provision are suppliers of “Intermediate services” (“Mere conduit”, “Caching”, “Hosting”, on-line intermediation platforms and large on-line platforms and search engines with more than 45 million users operating monthly). Different, gradually increasing obligations are envisaged depending on the type and size of the suppliers. The obligations envisaged include, for example, that of guaranteeing internal complaints management systems, any amicable resolution of disputes, preferential management for “reliable reporters”, measures against repeated abuse, the traceability of commercial operators and transparent annual reports. Sanctions in the event of breach can be as high as 6% of turnover.

Most of the rules will apply starting February 17, 2024.

Network and Information System Directive (NIS2)

The new Directive 2022/2555 (NIS2), which replaces the current Directive 2016/1148 (NIS) came into force on January 16, 2023 and should be transposed into national systems by October 17, 2024 to then apply from October 18, 2024.

The NIS2 envisages an extension of the scope of application of these laws governing the security of networks and computer systems, including on the one hand, sectors currently covered by other rules, which are simultaneously abrogated (i.e. the security measures of electronic communication services and networks, currently included in the European Electronic Communications Code) and, on the other, extending the rules to new subjects (e.g. data centers, CDN, etc.).

The Directive maintains the obligation to adopt security measures that are commensurate to the risk, yet introduces a series of minimum requirements, including security management of the procurement chain and reviews the mandatory notification procedures of IT incidents.

Sanctions in the event of breach can be as high as 2% of turnover.

The Directive also envisages the strengthening of the bodies and supervisory bodies on a Community level, with the aim of improving collaboration to fight the global IT threat, thanks to the sharing of experience by Member States.

Connectivity package

On February 23, 2023, the European Commission presented a package of regulatory initiatives aiming to promote connectivity and, in particular, investments in the new Gigabit and 5G networks in order to help achieve the Digital Compass 2030 objectives. The measures include:

- Gigabit Recommendation: a draft new Recommendation regarding the regulatory approach (obligations lying with the operator with Significant Market Power - SMP) which the national authorities should apply in analyzing the fixed access markets to promote Gigabit connectivity. The Recommendation revises the 2010 NGA Recommendation and the Recommendation on the 2013 cost methodologies and non-discrimination measures. The BEREC provided its opinion on May 5, 2023 and final adoption is expected for the third quarter of 2023.
- Gigabit Infrastructure Act: a legislative proposal revising Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks (transposed by means of Italian Legislative Decree no. 33/2016), which will become a Regulation named the "Gigabit Infrastructure Act" (GIA). The GIA includes symmetrical measurements relating to the access to the existing infrastructures to install elements of a Very High Capacity fixed and mobile network, to the access to the infrastructures and internal verticals of the buildings, to the coordination of civil works and permits to carry out works to install the networks.
- Exploratory consultation on the future of the connectivity sector: questionnaire to obtain stakeholders' opinions on the market and technological evolutions in progress and their impact on the electronic communications sector. It also includes questions aiming to collect elements useful to assessing the possibility of envisaging a fair contribution to investments in connectivity infrastructures by all market players benefiting from the digital transformation.

Wholesale fixed-line markets

Fixed network access market analysis

The Resolution 348/19/CONS published on August 8, 2019 defines the obligations and economic conditions for wholesale access services for the period 2018-2021.

In November 2020, AGCom concluded the preliminary reliability assessment of TIM's voluntary separation project for the creation of FiberCop (the Newco, controlled by TIM and in which KKR Infrastructure Fund and Fastweb have an investment, which on March 31, 2021 had acquired the secondary copper and fiber access network held by TIM and Flash Fiber).

With Resolution no. 637/20/CONS, published in December 2020, the Authority initiated the procedure relating to the coordinated analysis of the markets for fixed network access services pursuant to article 50-ter of the Code and, at the same time, launched the public consultation on the project for the voluntary separation of TIM's fixed access network, the results of which were published in October 2021, with resolution no. 253/21/CONS.

2022 and 2023 prices for services of wholesale access to the fixed network

Whilst awaiting completion of the coordinated analysis of access markets launched by decision no. 637/20/CONS, with resolution no. 132/23/CONS, the Authority approved the 2022 and 2023 wholesale access prices for wholesale access services to the fixed copper and fiber network offered by TIM/FiberCop insofar as it considered it necessary to guarantee regulatory predictability for all operators on both the wholesale and retail market and to avoid the retroactive application of economic conditions, as repeatedly requested by the European Commission.

The table below shows the prices of the main wholesale access services approved for 2023 compared with the values approved for 2021, which have been confirmed as identical for 2022.

Services	Charges 2023 (€)	Charges 2022=2021 (€)	Changes (2023 vs 2021)
LLU	9.91	8.90	+11.3%
SLU	5.89	5.30	+11.1%
VULA-FTTC	13.07	12.50	+4.6%
Dark fiber on primary - IRU 15 years	1,874.38	2,484.53	-24.6%
Dark fiber on secondary - IRU 15 years	1,314.72	1,563.21	-15.9%
VULA-FTTH	14.26	15.35 (2021) 14.84 (2022)	-7.1%
Vertical in fiber	2.50	2.80	-10.7%
Vertical in copper	0.51	0.47	+8.5%

This decision reduces the spread between the wholesale fiber and copper access prices, creating on the one hand an incentive to invest in the new FTTH networks, for both long-standing and new operators alike and on the other, speeding up the migration of customers from the old copper networks to the new fiber networks. It is in many ways a cornerstone decision that reverses a decade's reducing trends.

Early July 2023, with resolution no. 152/23/CONS, the Authority launched public consultation (expiring on September 15) for the regulation of markets accessing TIM's fixed network for 2024-2028.

The main contents of the draft provision are:

- the strong growth over the five years of monthly charges for copper services ULL, SLU and VULA-FTTC, in respect of stable charges for VULA-FTTH, which at the end of the period, will cost the same as VULA-FTTC;

Charges (€/month)	2023	2024	2025	2026	2027	2028
LLU	9.91	10.26	10.44	10.65	10.87	11.16
SLU	5.89	7.24	7.37	7.52	7.69	7.90
VULA-FTTC	13.07	13.07	13.18	13.40	13.73	14.18
VULA-FTTH GPON	14.26	14.24	14.23	14.21	14.19	14.18

Source: AGCom – Resolution no. 152/23/CONS

- the deregulation of the copper and fiber bitstream throughout national territory;
- the regulation of semi-GPON access, save for approval of co-investment commitments that would take over from the regulation;
- regulation of full-GPON access;
- geographic differentiation of rules. More specifically, for Market 1 (including local physical access on copper and fiber and VULA services), there is no provision for *ex ante* regulation for the municipalities of Milan and Cagliari, while there is no obligation of guidance on the cost of VULA services (FTTC and FTTH), semi-GPON, semi-VULA and full GPON for another 59 municipalities considered to be controllable by the Authority and accounting for approximately 9% of the population);
- the reduction from 24 to 12 months of the notice period for decommissioning, with the explicit introduction of End of Sale (EoS) of copper services.

The proceedings in question, which should be completed in the first quarter of 2024, will update the regulatory framework of the wholesale access services to the fixed network on the basis of changed competition conditions and new market structures.

TIM's transformation plan

During the meeting held on July 6, 2022, TIM's Board of Directors approved the strategic objective of reorganizing the company with a view to overcoming the vertical integration and conferred a mandate on the CEO to assess and submit to the administrative body for all necessary resolutions, any transactions or possible transfer and valuation agreements for certain Group assets, with a view to achieving this strategic objective.

The transformation plan, the execution of which will take approximately 15-18 months, in particular envisages the separation of the fixed network assets, including the primary and secondary networks in copper and fiber optic, of the domestic wholesale assets and equity investments held in FiberCop S.p.A. and Telecom Italia Sparkle S.p.A., which will flow into NetCo.

The separation plan of TIM's fixed network announced to the market represents both on an infrastructural level and in terms of future governance, a clear overcoming of the separation model in FiberCop of only the secondary copper and fiber access network, notified to the Authority, in accordance with Art. 89 of the new Electronic Communications Code (ex art. 50ter CCE) on September 2, 2020.

On June 22, 2023, TIM's Board of Directors unanimously assigned the Chief Executive Officer the exclusive power to start negotiations to improve the offer with KKR, with a view to obtaining the presentation - as quickly as possible in respect of the complexity of the operation and in any case by this coming September 30 - of a conclusive, binding offer for NetCo, according to the best terms and conditions and to agree the scope, terms and conditions for the performance of the confirmation due diligence specified in the KKR offer.

Co-investment offer in a VHC network

On January 29, 2021, TIM notified the Authority of a co-investment offer for the development of a new fiber network in accordance with Articles 76 and 79 of the New European Electronic Communications Code (EECC) so that the conformity is assessed with said Art. 76 for the purpose of deregulating the new fiber infrastructure.

This offer was subsequently amended and supplemented by TIM in March, April and most recently in December 2021, in light of the indications provided by the Authority in the “Preliminary conclusions” sent to TIM upon completion of the market test launched by resolution no. 110/21/CONS.

The co-investment project is open to any supplier of electronic communication services or networks and it is the first case of European co-investment on a national scale and application of the new Code.

More specifically, the project will make it possible, by April 2026, to reach a total of 9.7 million UITs (Technical Property Units), out of the 13.9 million present in 2,549 municipalities.

On January 11, 2022, AGCom published resolution No. 1/22/CONS, launching the public consultation, which ended on February 9, 2022, on the regulatory treatment of FiberCop’s fiber network concerned by the co-investment offer.

The resolution under consultation provides for the approval of the co-investment commitments that are made binding for a period of 10 years in accordance with Art. 76 of the new European Electronic Communications Code (EECC). More specifically, TIM will be bound to these commitments and not subjected to any additional regulatory obligation on the secondary fiber network in all municipalities in which at least one co-investment agreement has been stipulated between an alternative operator and FiberCop with reference to the following services:

- semi-GPON access;
- access to the installation and dark fiber infrastructures on the secondary network;
- access to the vertical segment for termination in fiber;
- any other access service that only applies to the secondary network concerned by the co-investment.

On May 16, 2022, the Authority notified the draft provision to the European Commission. However, on June 7, 2022, AGCom withdrew the notification following TIM’s communication of a mechanism index-linking to the prices of the Co-Investment Offer to take into account the recent, sudden, significant increase in inflation. The index-linking mechanism was subsequently amended by TIM in July and October 2022, on the basis of the Authority’s indications.

By resolution no. 385/22/CONS published on November 7, 2022, the Authority launched a market test on the index-linking mechanism of the prices proposed to brackets by TIM to determine the annual inflation rate to be applied to the prices of the co-investment offer starting 2023. The Offer also extends application of the economic conditions for 2021 to co-investors adhering by April 2023.

The investigations ordered by AGCom did not entail a complete overhaul of the procedure but rather merely assessed the conformity of the new prices with the criteria envisaged by the Code, also on the basis of the results of a specific market test, after which the notification in the European Commission will be renewed.

On February 9, 2023, the Authority notified TIM of its preliminary conclusions, asking for a revision of the index-linking model of the prices of the co-investment offer. The necessary analyses are currently in progress of the preliminary findings of the Authority, in order to prepare the Company’s response.

Infratel Tenders for the subsidizing of Ultrabroadband networks

The Italian Strategy for Ultrabroadband - “Towards the Gigabit Society”, approved on May 25, 2021 by the Inter-Ministerial Committee for the Digital Transition (CITD), defines the action necessary to achieve the digital transformation objectives indicated by the European Commission in 2016 and 2021 - respectively with the Communication on Connectivity for a European Digital Single Market (the “Gigabit Society”) and the Communication on the Digital Decade (the “Digital compass”), whereby it presented the vision, objectives and procedures for achieving the digital transformation of Europe by 2030.

These European digital transformation objectives develop around 4 cornerstones: (1) digital competences; (2) the digitization of public services; (3) the digital transformation of businesses; (4) the development of secure, sustainable digital infrastructures. As regards the latter, one of the objectives set by the European Commission is to allow all EU families, by 2030, to benefit from Gigabit connectivity and ensure that all inhabited areas are covered by 5G networks.

The Italian national recovery and resilience plan (NRRP) approved by the government on April 29, 2021 allocates 27% of resources to the digital transition, of which 6.7 billion euros for strategic Ultrabroadband projects, continuing on from the strategy launched by the government back in 2015.

In addition to aiming to complete the plan to cover white areas and the measures in support of the demand already launched (“vouchers”), the strategy also includes five additional public intervention plans to cover the geographic areas in which the offer of extremely high-speed digital services and infrastructures by market operators is absent or insufficient, set to be completed in the next few years.

The NRRP allocates 6.7 billion euros for Ultrabroadband projects, distributed over the following plans:

- “Italia a 1 Giga” plan (3.86 billion euros);
- “Italia 5G” plan (2.02 billion euros), of which:
 - No 4G/5G Areas (1 billion euros);
 - 5G corridors (0.6 billion euros);

- 5G-ready suburban roads (0.42 billion euros).
- “Sanità Connessa” (Connected Healthcare) plan (0.50 billion euros);
- “Scuola Connessa” (Connected School) plan (0.26 billion euros);
- “Isole minori” (Minor Islands) plan (0.06 billion euros).

Through these measures, the government intends to bring forward to 2026 - and therefore a good 4 years - the 1 Gbit/s connectivity objectives for everyone and full 5G coverage of the populated areas fixed by the new European Digital Compass Strategy for 2030.

“Italia a 1 Giga” plan (3.86 billion euros)

The “Italia a 1 Giga” plan seeks to guarantee fixed 1 GB download and at least 200 Mbit/s in upload coverage in the gray and black areas where, until 2026, the plans of private operators cannot guarantee “reliable” connections with at least 100 Mbit/s in download.

In this context, in April 2021, Infratel Italia (the in-house company of the MED) started mapping UBB fixed coverage plans for 2021-2026 by all private operators, including FWA coverage on a total of 21.3 million gray and black addresses, as shown by the previous mapping.

The results of the fixed mapping were published on August 6, 2021.

Identifying coverage of 300 Mbit/s as the threshold for intervention, approximately 6.2 million road addresses lacking 300 Mbit/s coverage, have been identified as subject to intervention.

Following a public consultation on how to intervene, for the disbursement of public finance, bandwidths were used with regional or multi-regional based incentive models.

In the same streaming of the “Italia a 1 Giga” Plan, on October 13, 2021, Infratel launched a complementary consultation that was completed on November 15, 2021, in relation to the update of the mapping of fixed UBB coverage of the “White areas” of the 2016 UBB Plan, which includes a total of 11.8 million addresses:

- the addresses of the UBB bandwidths awarded to the public concession-holder Open Fiber S.p.A.;
- the addresses corresponding to approximately 450,000 property units situated in remote areas (referred to as “scattered houses”), not included in the previous public intervention plans.

The purpose of the mapping was to identify the addresses present in said areas, which have been excluded from the public intervention and which will not be reached in the next 5 years (9/30/2021 - 9/30/2026) by private investments able to guarantee a download connection speed of at least 300 Mbit/s at peak times.

On the basis of the coverage plans declared by Open Fiber and private operators, 1.6 million addresses have been identified not covered by 300 Mbit/s by 2026, which will be publicly financed for the completion of the “Italia a 1 Giga” plan.

The “Italia a 1 Giga” plan was notified to the European Commission on November 8, 2021 and approved on January 27, 2022.

On January 15, 2022, Infratel published the “Italia a 1 Giga” tender for the concession of public grants for the financing of investment projects to develop new telecommunications infrastructures and the related access devices able to supply services with a capacity of at least 1 Gbit/s in download and 200 Mbit/s in upload; the deadline is March 31, 2022.

The addresses involved in the tender (approximately 6.9 million) have been divided up into 15 lots with financing envisaged in the tender for 3.68 billion euros. Each offerer could be awarded up to 8 lots.

The public grant will cover up to 70% of the expenses incurred, while at least 30% will be paid by the beneficiary.

The results of the tenders were published on May 24, 2022 and are as follows:

- TIM has been awarded the following tenders: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piedmont, Liguria and Val d’Aosta (lot 4), South Calabria (lot 5), North Calabria-Cs (lot 11) and Basilicata (lot 14) for a total of approximately 1.6 billion euros;
- Open Fiber has been awarded the following tenders: Apulia (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 Lombardy (lot 13) for a total of approximately 1.8 billion euros.

The tender for Trento and Bolzano (lot 15) has been repropounded with a deadline of June 3 and was awarded to TIM on June 28, 2022 for a total of approximately 65 million euros.

On July 29, 2022, the Agreements were signed by Infratel and the operators that had been awarded the individual lots.

“Italia 5G” plan (2.02 billion euros)

The “Italia 5G” Plan envisages 5G coverage with 150 Mbit/s in download and at least 50 Mbit/s in upload in the following areas:

- European 5G corridors (2,645 km): 420 million euros;
- 5G-ready suburban roads (10,000 km): 600 million euros;
- No 5G/4G areas: 1 billion euros.

To identify the areas to be financed, Infratel has mapped the 2021-2026 4G and 5G mobile coverage plans of private operators, including the sites’ fiber backhauling connections.

Upon completion of the consultation, the following have been identified as subject to public intervention:

- 13,200 mobile radio sites, which comprise approximately 18,600 BTSs (base transceiver stations) on which to implement fiber backhauling;
- 15% of the national territory where, however, only 1.6% of the population lives, but with important terrestrial road and rail transport routes to be covered in 5G.

These results have been submitted for public consultation through to December 15, 2021.

Following the results of the public consultation, on March 21, 2022, Infratel published two tender notices to foster the development, by 2026, of infrastructures for the development of 5G networks in the areas of the country in which the market does not invest:

- 1) Fiber backhauling notice;
- 2) New 5G sites notice.

The European Commission has approved the aid measure comprising both notices on April 25, 2022.

The deadline for submitting offers passed on May 9, 2022.

Fiber backhauling notice

The first notice envisages incentives on investments for the development of fiber optic connection of more than 10,000 existing mobile radio sites of up to 90% of their cost. It is divided into 6 multi-region lots and the tender is worth a total of 949,132,899 euros.

On June 13, 2022, all six lots were awarded to TIM for a total equivalent value of 725,043,820 euros.

On July 29, 2022, the Agreements were signed in connection with the individual lots between Infratel and TIM.

New 5G sites notice

The second notice encourages the development of new 5G mobile network infrastructures (fiber, infrastructure and electronic components) in more than 2400 areas of the country with transmission speed of at least 150 Mbit/s in downlink and 30 Mbit/s in uplink, again financed for up to 90% of the total cost.

The second notice is also divided up into 6 multi-regional lots but different to the others and the tender is worth a total of 974,016,970 euros.

The second notice for the development of new 5G sites failed to reach quorum requirements and was republished with amendments on May 20, with a deadline of June 10, 2022.

The new notice envisages financing of 567,043,033 euros on a smaller number of sites to be connected than previously (-50%).

On June 28, 2022, Infratel reported that all six lots had been awarded to INWIT S.p.A. forming a temporary grouping of companies with TIM and Vodafone for a total of approximately 346 million euros.

On July 29, 2022, the Agreements were signed in connection with the individual lots between Infratel and the corporate grouping led by INWIT S.p.A..

"Sanità Connessa" Plan

The "Sanità Connessa" plan aims to supply connectivity with symmetrical speed starting from 1 Gbit/s and up to 10 Gbit/s to approximately 12,280 health care structures throughout the country.

To implement the Plan, on January 28, 2022 Infratel called a tender for the supply of Ultrabroadband connectivity services at public health care structures throughout Italian territory, including the supply and installation of access networks and operation and maintenance services, with a deadline of April 11, 2022.

The tender envisages an allocation of 387 million euros and is divided up into 8 territorial lots; any individual subject can be awarded up to 4 lots.

The provisional award of the tenders was disclosed on June 6, 2022.

The total amount awarded was 314 million euros.

TIM was awarded two of the eight lots comprising the regions of Lombardy, Emilia-Romagna, Marche and Umbria, for approximately 78 million euros.

On September 20, 2022, the Agreements were signed in connection with the individual lots awarded between Infratel and TIM.

"Scuola Connessa" Plan

The "Scuola Connessa" Plan aims to complete the 2020-2023 School Plan launched by the government on May 5, 2020, with which the supply of Ultrabroadband connection was envisaged of up to 1 Gbit/s with 100 Mbit/s guaranteed to 35,000 school buildings (approximately 78% of the total), i.e. all buildings of the middle and secondary schools throughout the country and, in the "white areas", also the connection of all primary and nursery schools.

The 2020-2023 School Plan was run by Infratel that, from September to December 2020, organized a public consultation and posted a tender notice with public funding of 274 million euros divided up into 7 geographic lots (with a limit of two lots that can be awarded by the same bidder, who can submit bids for all lots).

On February 26, 2021, the award of the individual lots was reported.

The total amount awarded was 271 million euros.

TIM was awarded two of the eight lots, comprising the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Apulia, for approximately 84 million euros.

The new “Scuola Connessa” Plan aims to complete the public intervention that has already been launched, including the remaining 9,900 buildings, which will be supplied with connectivity at 1 Gbit/s with related technical assistance for 5 years.

To implement the Plan, on January 28, 2022 Infratel called a new tender, worth a total in excess of 184 million euros, for the supply of Ultrabroadband Internet connectivity services at schools throughout Italian territory, including the supply and installation of access networks and operation and maintenance services, with a deadline of April 11, 2022.

The tender is divided up into 8 territorial lots; any individual subject can be awarded up to 4 lots.

The provisional award of the tenders was disclosed on June 6, 2022.

The total amount awarded was approximately 166 million euros.

TIM was awarded four of the eight lots comprising the regions of Piedmont, Liguria, Valle d'Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, for more than 99 million euros.

On September 20, 2022, the Agreements were signed in connection with the individual lots awarded between Infratel and TIM.

“Isole minori” Plan (0.06 billion euros)

The “Isole minori” Plan aims to provide adequate connectivity to 18 minor islands that today have no fiber optic connection with the continent. More specifically, the islands will be equipped with optic backhaul, which will allow Ultrabroadband connectivity to develop. Optic backhaul will be accessible to all operators through Submarine Backhaul Access Points identified according to the criterion of least distance from the neutral delivery point (NDP), if present on the island, and from the point of arrival of the undersea cable.

The total budget is 60.5 million euros.

The measure will be implemented through direct intervention. The new network will be entirely financed and owned by the state and will be managed by one or more operators chosen on the basis of a competitive selection process that is open, transparent and non-discriminatory.

The tender to identify the economic operators to which the design, supply and installation of the undersea optic fiber cables is to be entrusted for the development of the “Isole minori” Plan, was launched on November 18, 2021 and drew to a close on December 22, 2021. As the tender failed to meet quorum requirements, Infratel repropose it, with amendments, on February 11, 2022, with a deadline of March 18, 2022 and the tender was awarded to the company Elettra TLC on April 28, 2022 for approximately 45 million euros.

Voucher Plan

The aim of the Plan, launched on May 5, 2020, with a total allocation of more than 1 billion euros, is to promote and offer incentive for the demand for Ultrabroadband connectivity services (NGA and VHCN) in all areas of the country, in order to increase the number of families and businesses that use digital services with high-speed networks of at least 30 Mbit/s.

Family vouchers

A first phase of intervention, launched on November 9, 2020, with a budget of 200 million euros, in favor of families with ISEE income of less than 20,000 euros, to whom a contribution of 500 euros is allocated (200 euros for connectivity and 300 euros for tablet or PC on free loan for use), met the need to address, during the early stages of the COVID-19 pandemic, the effects of the health emergency and guarantee suitable connection services to ensure continuity of the families' school and working activities. The first stage ended on November 9, 2021, a year after it started, as per the implementing decree. This measure has proven to be not much of an incentive: of the entire amount set aside of 200 million euros, no more than 93 million euros have been assigned. 210,000 bonuses have been assigned as compared to the 400,000 available.

On April 27, 2022, Infratel therefore launched a public consultation before starting a second phase of dispensing vouchers to families.

Total resources of 407,470,769 euros have been allocated for the intervention.

The aim of the intervention is to promote and offer incentive for the demand for Ultrabroadband connectivity services (NGA and VHCN) in all areas of the country, in order to increase the number of families that use digital services with high-speed networks of at least 30 Mbit/s.

The consultation expired on May 31, 2022. We are currently awaiting approval of the measure by the European Commission.

On March 22, 2023, Infratel launched a supplementary consultation, in addition to the one that had concluded in May 2022, expiring April 22, 2023, with a view to acquiring opinions and observations on the following intervention proposals:

- intervention in the favor of families, without ISEE limitations and without an active data contract on the Broadband and Ultrabroadband fixed network;
- disbursement of a 300-euro voucher to encourage subscriptions to at least 300Mbps in the form of a discount on the activation price (where charged) and on the charges for the supply of the service for up to 24 months and will include the supply of the related electronic devices (CPE);
- exclusion of families who had already benefited from the connectivity voucher during phase 1, intended for less well-off families;

- disbursement of an additional contribution of up to 130 euros to cover the costs relating to civil engineering works that may be incurred on private property to arrange for the changes to the necessary infrastructure.

The results of these consultations have not yet been published.

Company vouchers

The intervention offering incentive to companies, approved by the European Commission last December 15, 2021, was launched on March 1, 2022 and aims to facilitate the development of ultrafast internet connections for companies and the digitization of the production system.

Net of the amount attributed to communication costs and expenses accompanying the measures and the reimbursement of direct and indirect costs linked to the activity, the amount set aside for the disbursement of the vouchers is approximately 590 million euros.

Beneficiaries can request just one voucher to guarantee an increase in connection speed, from 30 Mbit/s to more than 1 Gbit/s, varying from a minimum of 300 euros to a maximum of 2,500 euros, according to the guaranteed download speed and contract term (from 18 to 24 months).

The Voucher Plan for businesses had an initial deadline of December 15, 2022, which was then extended to December 31, 2023.

The extension had been requested by the Italian government from the European Commission, considering that there was still more than 430 million euros available and also taking into account the May 2022 extension of the beneficiaries to also include professionals (natural persons with a VAT number operating an intellectual profession, self-employed or associated).

On March 22, 2023, Infratel launched a public consultation regarding the “Voucher Plan to offer incentive to the demand for connectivity of companies - Application services”, which expired on April 22, 2023, in order to acquire opinions and observations on the following intervention proposals:

- intervention in the favor of micro, small and medium enterprises as well as natural persons with VAT numbers that, alone or as part of an association, perform an intellectual profession in accordance with Article 2229 of the Italian Civil Code, or one of the non-organized professions pursuant to Italian Law no. 4 of January 14, 2013;
- disbursement of a voucher of variable value to activate application services in 5G, cloud, cyber security, big data, artificial intelligence, blockchain, drones, in support of the activities of the beneficiaries;
- enterprises or professionals with a contract of at least 30 Mbps in download speed, may request the voucher contribution.

At the envisaged expiry date, TIM sent its contribution. The results of this consultation have not yet been published.

Wholesale mobile network markets

Mobile termination market analysis

On January 22, 2019, AGCom published its final decision on mobile network termination market analysis (resolution no. 599/18/CONS). In particular, AGCom established symmetric tariffs for all MNO and full MVNO operators for the period 2018-2021 (0.98 euro cents in 2018, 0.90 euro cents in 2019, 0.76 euro cents in 2020, 0.67 euro cents in 2021) and confirmed the absence of an obligation to check the termination prices for calls originating outside the European Economic Area (EEA); however, SMP operators cannot adopt termination rates that are higher than those applied to Italian operators by operators in non-EEA countries where rates are regulated.

In accordance with Delegated Regulation (EU) 2021/654 of the European Commission, a progressive reduction is expected in mobile termination prices in three years, so as to allow for a gradual transition towards the target price of 0.2 cents/min. in 2024: 0.67 cents/min until end 2021, 0.55 cents/min in 2022 and 0.4 cents/min in 2023.

Under certain conditions, which should in principle guarantee price reciprocity, these caps also apply to the termination of calls originating outside the EU.

Retail fixed-line markets

Universal Service

Net cost

Following ruling no. 4616/2015, published on October 2, 2015, in which the Council of State canceled decision no. 1/08/CIR of AGCom on the retroactive application of the new methodological criteria for calculating the net cost of the universal service (USO) relating to the 2004-2007 years, the Authority began the public consultation of the net cost of the total years 2004-2007 with resolution 89/18/CIR, published on July 3, 2018, and subsequent resolution no. 62/19/CIR, published on May 7, 2019. On September 11, 2019, the Authority published the final resolution concerning the Net Cost of Use for 2004-2007 (resolution no. 103/19/CIR) in which it recognized the existence of an unfair charge for TIM of a total of 113.4 million euros to be shared between all fixed-line and mobile operators. The share payable by the OAOs amounts to approximately 26.6 million euros, calculated net of installments already paid by the same operators, following the 2004 and 2005 procedures approved “*illo tempore*”. In relation to past disputes, following ruling no. 3388/15 of the Council of State, published on July 7, 2015, on September 11, 2019, the Authority launched the public consultation procedure (resolution no. 102/19/CIR) for an in-depth fixed-mobile substitutability analysis, in line with the path outlined for the 2004-2007 years. In this context, ruling no. 6881 of October 8, 2019, in which the Council of State authorized the return of the shares paid by Vodafone to TIM, for the contested years (1999-2000 and 2002-

2003). In light of the above-mentioned Council of State ruling, which completely reversed the Lazio TAR rulings no. 6458, 6459, 6461 and 6463 of May 23, 2018, in execution of which the public consultation pursuant to resolution no. 102/19/CIR was started, the Authority revoked the aforementioned resolution with decision 190/19/CIR.

On July 21, 2020, AGCom launched the public consultation relating to the review of the inequity of the net cost of the universal service 1999-2009. The extension of the time period subject to renewal until 2009 was necessary following the ruling no. 2542/2020 with which the TAR accepted Vodafone's appeal, in terms of fixed-mobile substitutability. The opinions on the years 2004-2007, renewed by AGCom with resolution 103/19/CIR, and on which the TAR has not yet expressed an opinion also hang on the same issue. In compliance with judgment 6881 passed by the Council of State, in its Resolution 263/20/CIR, the Authority defined a new approach to demonstrate the lawfulness of the participation of mobile operators at the net USO cost for the years in question. AGCom's view expressed in the consultation is to recognize *prima facie* the unfairness of the charge for the years 2002-2009. For the previous years 1999-2000, however, the Authority did not recognize the existence of an unfair charge for TIM.

On March 29, 2021, with the publication of resolution no. 18/21/CIR, AGCom confirmed the obligation of mobile operators to participate in the USO contribution mechanism for the years 2001-2009. Following a challenge of the resolution by Wind and Vodafone, the Ministry of Economic Development suspended the obligation for operators to make payment.

On February 17, 2022, the regional administrative court canceled resolution no. 18/21/CIR, upholding just one of the grounds for appeal submitted by the OAOs challenging the threshold parameter related to the unfairness of the expense (2nd facie) with regards to the economic and financial impacts on the appointed party. Instead, the additional grounds for appeal of the OAOs were rejected by the court.

On June 27, 2022, AGCom published resolution no. 1/22/CIR, suspending the terms established by resolution no. 92/21/CIR, already extended by resolution no. 58/22/CONS and resolution no. 143/22/CONS.

By board order no. 3885/2023, published on April 18, 2023, the Council of State submitted the prejudicial issues relating to the participation of Mobile Operators in the contribution to the USO Fund to the EU Court of Justice, suspending any other judgment on the matter. The decision of the EU Court of Justice and Council of State is expected for around 2025.

Guidelines for voluntary withdrawal

With resolution no. 487/18/CONS, the Authority regulated the ways operators must manage dissolution and transfer methods for user contracts.

TIM challenged the resolution regarding the provisions that limit the right to fully recover the costs in case of withdrawal (discounts from promotions, product installments). The administrative judge dismissed TIM's appeal, as the guidelines would not be directly damaging. TIM once again appealed against Resolution no. 487/18/CONS as a prerequisite for Resolution no. 591/20/CONS by which AGCom ordered TIM to pay an administrative fine for violation of Resolution no. 487/18/CONS regarding withdrawal. In March 2022, the regional administrative court of Lazio rejected the appeal and TIM appealed.

Freedom to choose modems

With resolution no. 348/18/CONS, the Authority ratified the principle of user freedom to choose modems for Internet access.

TIM challenged the resolution in relation to the transitional provisions for customers who have an internet offer combined with a modem for a fee (sale and rental) in the months preceding the entry into force of resolution no. 348/18/CONS (December 1, 2018). At end 2018, these transitional provisions were suspended whilst awaiting scheduling of the hearing at the Regional Administrative Court of Lazio, set for October 23, 2019. On January 28, 2020, the Regional Administrative Court rejected TIM's petition in first instance; it has therefore submitted an appeal.

In May 2020, TIM notified its customers who had signed up for an Internet access and installment modem purchase offer before December 1, 2019, that they had the option to sign up for an equivalent Internet offer without a modem and an allowance for the remaining installments. By signing up for the equivalent offer, the residual debt in installments on the customer's bill for the purchase of the modem would not be due, this did not entail any additional charges for the customer or implied changes to the financial and contractual terms and conditions for using the active services on the line.

On August 2, 2021, the Council of State definitively rejected TIM's appeal.

Retail mobile network markets

Premium Services

In February 2021, with resolution no. 10/21/CONS, AGCom adopted new measures related to the implementation of digital services with contents in subscription from mobile network. In particular, default barring has been envisaged on the SIMs, namely an inhibition to purchase these services, which can be removed by prior express decision of the customer, and a customer consent acquisition process for individual purchases, through the entry of a temporary password (an "OTP"). This resolution has been appealed against by TIM before the Regional Administrative Court.

By resolution no. 91/22/CONS, AGCom ordered TIM to implement the procedure for acquiring evidence of customer consent in the event of the purchase of TIM-branded digital services. The assessment of TIM's compliance is in progress. This resolution has been appealed against by TIM before the regional administrative court on additional grounds.

In February 2023, the Lazio Regional Administrative Court on the one hand partially canceled resolution no. 91/22/CONS, noting that it was unlawful in the part relating to the definition of the sanction, which will now be

redetermined by the Authority and, on the other hand, rejecting the main appeal against resolution no. 10/21/CONS.

The Company filed an appeal to the Council of State last May.

In April 2023, by resolution no. 97/23/CONS, AGCom suspended the terms for fulfillment of the order to implement a purchase procedure by means of OTP pursuant to resolution no. 91/22/CONS until the next communication by TIM to resume the marketing of digital services in subscription to brands offered on its platform. Suspension of execution applies for 6 months, which can be extended just once, on the grounded request of the Company and in any case for a total period of no more than 12 months.

Parental control services

With resolution no. 9/23/CONS, AGCom defined specific “Guidelines on the Systems for protecting children from cyberspace risks” in implementation of Article 7-bis of Decree-Law No. 28 of April 30, 2020.

Very briefly, these Guidelines state that the parental control system shall be pre-activated on offers intended for children and “on request” for other offers (both fixed and mobile) and free of charge to the end user.

The implementation of these Guidelines is expected for November 2023.

Quality of Services

Quality of services included in the Universal Service

The new Electronic Communications Code (introduced by Legislative Decree no. 207/2021, which came into force on December 24, 2021) abrogated Art. 61 of the previous Code, which established a fixing mechanism, with resolutions passed by AGCom, of annual targets for the Quality of the Universal Service that TIM was required to assure as failure to do so would lead to the payment of administrative fines.

The new Code also included Broadband Internet access in the Universal Service. In this respect, by resolution no. 162/22/CONS, published on June 10, 2022, AGCom launched the procedure aimed at defining, in light of national circumstances and minimum bandwidth available to the majority of consumers in Italy (and taking into account the report by BEREC on best practices), what exactly is an adequate access service to Broadband Internet, necessary to guarantee the participation of all residents in society's social and economic life. Internet access must be able to supply the bandwidth necessary to support at least the minimum set of services pursuant to Annex 5 of the new Code. Thereafter, on December 28, 2022, AGCom submitted a draft order for consultation (resolution no. 421/22/CONS), in which it suggested that adequate Internet access to be guaranteed by way of universal service was a value of 4 Mbps in download. The proceedings are ongoing.

Quality of mobile and personal services

By resolution no. 23/23/CONS, AGCom updated the regulation governing quality and mobile and personal service charters and the regulation of the campaigns for measuring quality of the Broadband data service. The new resolution, amongst others:

- incorporates certain measures envisaged by Regulation (EU) no. 2015/2120 and the related BEREC guidelines on the access to open Internet and, in particular, the obligation to indicate, in the contracts offered by mobile operators, the estimated maximum speed and the publicized speed in both download and upload;
- introduces the obligation to include maps of coverage for the various technologies on operator websites, with a covered pixel granularity of no more than 100 m2.

Quality of electronic communication services from a fixed location

By resolution no. 405/22/CONS, AGCom started proceedings set to group together and update the regulation governing quality and fixed voice communication service charters and quality and service charters for accessing Internet from a fixed location. The regulation being issued will, amongst others, incorporate certain measures envisaged by Regulation (EU) no. 2015/2120 and the related BEREC guidelines on the access to open Internet and, in particular, the obligation to indicate, in the contracts offered by fixed network operators, the maximum speed, the speed usually available and the publicized speed in both download and upload. The proceedings are ongoing.

Quality of customer assistance service in the electronic communications sector and audiovisual media services

By resolution no. 436/22/CONS, AGCom started proceedings set to update the regulation governing the quality of telephone assistance service to customers in the electronic communications sector, extending it at the same time to include regulation of the digital assistance channels and media-audiovisual sector assistance services. The proceedings are ongoing.

Authority fees

AGCom contribution fee

On January 17, 2023, AGCom issued resolutions no. 409/22/CONS, 410/22/CONS and 416/22/CONS relating to the payment of the AGCom contribution fee for the year 2023 (calculated on the 2021 financial statements figures). The guidelines for calculating the contribution fee are unchanged compared to the guidelines for calculating the 2022 contribution fee. For 2023, AGCom has increased the rate, taking it to 1.40 per thousand for electronic communications market and to 2.00 per thousand for “media” services. On the basis of this rate, TIM paid around 16.116 million euros under reserve.

Privacy and personal data protection

General Data Protection Regulation (GDPR) and updates to the Privacy Code

In order to guarantee - in TIM and under the scope of the Group Companies - the conformity of personal data processing with the GDPR and the Personal Data Protection Code (Italian Legislative Decree no. 196 of June 30, 2003), TIM adopts all the initiatives necessary to comply with said provisions.

In 2022, renewal began of the company privacy model with the execution of an assessment carried out by two major consulting firms; this revealed “substantive conformity” of the Operating Model already adopted by TIM. During the second half of 2022 and early 2023, a series of further improvements were made, including, in particular:

- execution of a new mapping of personal data processing in connection with the company's operating processes with the definition of a new privacy risk assessment method associated with each processing;
- review of the process of managing processing and updating the Register of Processing Activities;
- digitization of the information management process through an IT tool.

The “System of rules for the application of legislation on personal data protection in the Telecom Italia Group” policy, which is the set of operating rules and regulations governing personal data processing in accordance with the provisions of applicable law and regulations, defined specifically for the TIM Group, is kept constantly up-to-date and is available on the corporate intranet.

TIM's Privacy Department annually schedules specific training plans to raise awareness in the various company departments and illustrate the policies and procedures issued for applying the legislation on personal data processing.

Spectrum

By resolution no. 147/22/CONS, AGCom authorized closure of TIM's 3G/UMTS service starting June 1, 2022. The frequency resources thus released will be used to strengthen the capacity of the LTE network.

In March 2022, by resolution no. 66/22/CONS, AGCom consented to the request to extend the rights to use TIM's frequencies in the 3.4-3.6 GHz bandwidth (2x21 MHz in 9 regions of southern Italy), which expire in 2023 and the exchange of a block of 20 MHz with Linkem. This exchange allows TIM to hold 20 MHz nationally on said bandwidth, taking the total available in the bandwidth 3.4-3.8 GHz to 100 MHz. For the purpose of the extension to May 2022, on the basis of the request made by the Ministry of Economic Development, TIM paid approximately 5 million euros to renew the rights of use through to December 31, 2029. We are currently awaiting the extension Ministerial Decree.

In June 2022, by resolution no. 157/22/CONS, AGCom expressed its opinion in favor of the request to extend the duration of the rights of use of the WLL radio network spectrum in TIM's band 27.5-29.5 GHz (2x112 MHz FDD) for a further seven years, until December 31, 2029. In exchange for the extension through to July 2022, TIM paid, on the basis requested by the Ministry of Economic Development, approximately 9.68 million euros. We are currently awaiting the extension Ministerial Decree.

Ukraine emergency

In light of the declaration of the state of emergency of the Italian government, resolved by the Council of Ministers on February 28, 2022, aimed at assuring, through to December 31, 2022, aid and assistance to the Ukrainian population on national territory, TIM, just like the 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.

Similarly to in the past for previous emergencies and, most recently, during the COVID-19 pandemic, AGCom has established a technical working group for discussion with operators, in order to share information and discuss additional initiatives that may be planned in the medium-term in support of the Ukrainian population.

With the support of the European Commission, on April 8, 2022, TIM also signed a joint declaration, together with other EU and Ukraine operators to provide affordable or zero-rated roaming and international call services between the EU and Ukraine. The joint declaration seeks to provide a more stable context in which to help the Ukrainian evacuees throughout Europe to stay in contact with friends and family.

New benefits for disabled consumers

With Resolution no. 290/21/CONS, the Italian Communications Authority (AGCom) defined the new regulation for users with disabilities.

This resolution extends the current beneficiaries of electronic communication services, extending the special tariffs of fixed and mobile network services, currently only granted to the blind and deaf, to also include disabled users with major limitations to walking. To this end, an experimental phase of application of the measures is envisaged, expected to last twelve months, but which may be extended, to obtain information about the new beneficiaries and the effectiveness of the measures adopted. The new beneficiaries could submit requests to adhere within a 90-day time frame running from January 1 to April 1, 2022, with benefits set to start on Saturday, April 30, 2022.

In 2023, AGCom decided to open a new experimental phase.

TIM, which has always paid close attention to the needs of disabled users, both in 2022 and in 2023, has decided to apply the benefits to disabled users with serious limitations to their ability to walk beyond the regulatory specifications.

Public telephony

Following the incorporation of EU Directive 2018/1972, which gives each individual Member State the possibility of removing or confirming the obligations in force, the Electronic Communications Code no longer envisages public telephony amongst the services subject to the Universal Service obligation, but rather defers the matter to subsequent assessment.

By Resolution 98/23/CONS of April 19, 2023, the Authority concluded its analysis, acknowledging for road stations that there was no longer any need for the Universal Service and therefore abrogating the related obligation of supply for TIM. The cabins can therefore be removed after verifying that there is adequate mobile coverage by at least one operator. Mobile coverage will be verified by TIM during decommissioning and cases of plants not covered will be notified to AGCom, which may suspend the decommissioning while awaiting the identification of suitable solutions. In all other cases, TIM can proceed, as long as it affixes a specific notice at least 30 days ahead of the date scheduled for plant decommissioning. TIM must send a half-yearly report on the road telephone stations that have been decommissioned.

For public stations located in places of social relevance (hospitals with at least 10 beds; prisons; barracks, with at least 50 permanent occupants, in which shielding of mobile telephone signals is envisaged), AGCom instead confirms the obligation of the Universal Service. The Authority does, however, acknowledge the need to be able to ensure the overcoming of the traditional concept of the Universal Service for these specific situations and establishes the launch of *“a technical table with the aim of defining the new supply technologies and management procedures of costs paid by the caller of the public telephony service, in order to allow for the technological upgrade to the fiber optic network”*.

Golden Power

The issue of the so-called "Golden Power" Decrees, aimed at exercising the special powers over corporate ownership in the sectors of defense and national security, and regarding activities of strategic importance in the specific sector of Telecommunications, could, on the one hand, limit TIM's autonomy in going about its business in the area of strategic services, but on the other, as a strategic operator, TIM can guarantee advantages to its shareholders: (I) making a potential change in TIM's controlling stake more complex and thus protecting investments; (II) guaranteeing a higher level of assurance of the strategic services and assets.

In summary, the Prime Minister established that the Company is subject to the obligations pursuant to Legislative Decree no. 21/2012 (the "Golden Power Decree", setting out special powers rules) on September 28, 2017, as a business that:

- carries out "activities of strategic importance for the defense and national security system" (as per article 1 of the Decree Law) and
- possesses networks and systems "necessary to ensure the minimum supply and operation of essential public services" and goods and relationships "of strategic importance for the national interest" in the communications sector (as per article 2 of the same Decree Law).

The regulatory architecture relating to TIM, consequently, involved a first phase in 2017 on the issue of the Prime Ministerial Decrees of October 16 and November 2.

By provision of October 16, 2017, the Presidency of the Council of Ministers exercised the special powers envisaged by Article 1 of the Golden Power Decree by means of the imposition of specific rules and conditions, encumbering on TIM and the subsidiaries Sparkle and Telsy, including, in particular, the obligation to assure the presence on the respective Boards of Directors of a Security Chief Executive Officer - a figure that currently coincides with that of the Chief Executive Officer - (with Italian citizenship and security authorization) and the establishment of a Security Organization.

With a ruling on November 2, 2017, the Prime Minister's Office also exercised the special powers provided for in article 2 of the Golden Power Decree, through the imposition of further requirements and conditions with the aim of assuring suitable development plans, able to guarantee a continuity of supply of the Universal Service.

Failure to observe the provisions envisaged in order to exercise the power of veto, except where the matter is an offense, results in the application of a pecuniary administrative sanction of up to double the value of the transaction and in any case no less than 1% of the cumulative turnover.

The government's ruling has subsequently evolved through Decree Law no. 21/2022 (Urgent measures to combat the economic and humanitarian effects of the Ukraine crisis), converted with amendments by Italian Law no. 51/2022, which introduced new features regarding both corporate management and 5G technology-based communication services.

As regards the latter issue, by this Decree, the legislator renewed the close attention paid to 5G, insofar as an activity of strategic importance for defense and national security, extending the scope of reference from the non-EU supplies taken as reference by the previous Law no. 41/2019 to include any supply relating to 5G, regardless of the geographic location in which the supplier is based, and redefined the State's special powers. More specifically, the Decree made it mandatory for companies to preventively notify the Presidency of the Council of Ministers an Annual Purchasing Plan of goods and services in 5G technology, with the possibility of making four-monthly updates.

The Plan is subject to approval by the government, which may potentially also lay down conditions or requirements; failure to notify results in a sanction being applied to the company in the amount of up to 3% of its turnover.

National Cyber Security Perimeter

The framework of provisions regarding National Security has flanked the Golden Power regulations with those relating to the National Cyber Security Perimeter (PSNC), established by Law no. 133 of November 18, 2019, converting Decree Law 105/2019.

The regulations in this area are hinged on three elements, governed by the subsequent implementing decrees, which constitute the same number of obligations for TIM, as strategic operator: the adoption of security measures aimed at guaranteeing high security levels for ICT assets, the secure award of ICT supplies and the notification of security incidents.

Compliance with the obligations laid down by regulations governing the PSNC (National Cyber Security Perimeter) means, for TIM, an impact in organizational terms and as regards operative processes, in line with the restrictions aiming to guarantee a high level of security of networks, information systems and the computer services of public administrations, public and private operators and entities based in Italy, in consideration of the fact that such elements are responsible for the performance of a service that is essential for the maintenance of civil, social or economic activities, fundamental for the interests of the State and the malfunctioning, interruption, even partial, or improper use of which could damage national security.

Failure by TIM to observe the regulatory obligations entails administrative fines of up to 1.8 million euros. In addition, the use of products and services without communication or passing of tests or in breach of the conditions envisaged may result in the application of the accessory administrative sanction of incapacity to hold appointments of management, administration and control in legal entities and companies, for a period of three years from the date on which the violation is ascertained. Finally, anyone providing information, data or elements of fact that are not true, in order to hinder or impact procedures and inspections and supervision, shall be punished by imprisonment from one to three years.

Urgent measures for simplification and digital innovation

As regards the measures by which to speed up the country's infrastructure process, in continuity with Decree Law no. 76 of 2020, the "Simplifications Decree", additional measures to simplify have been introduced, which are summarized below.

- **Decree Law no. 77/2021** "Governance of the National Recovery and Resilience Plan and first measures to strengthen the administrative structures and speed up and streamline the procedures", which introduced important simplification measures to speed up completion of both the 5G networks and networks in optic fiber and Ultrabroadband. The Decree was definitively approved, with amendments, by Law no. 108 of July 29, 2021.
- **Decree-Law no. 21/2022** ("Ukraine"), converted into law with amendments by Law no. 51 of May 20, 2022, which introduced additional measures to simplify the installation of telecommunications networks, envisaging:
 - the elimination of the obligation to submit documentation related to the electromagnetic emissions for the installation of infrastructures, such as poles, towers and pylons used to host the radioelectric plants;
 - benefits for developing TLC networks awarded with concession tenders. More specifically, the holders of concessions for the development of telecommunications networks awarded with tender procedures can proceed to carry out works also through their subsidiaries and in derogation of any conventional clauses.
- **Decree-Law no. 36/2022** ("NRRP2"), converted into law with amendments by Law no. 79 of June 29, 2022, which introduced new measures in favor of electronic communications companies. More specifically, by means of timely changes to the Electronic Communications Code, additional simplifications have been introduced to the authorization procedures for radioelectric plants and the reach of the ban imposed on local entities to charge operators for occupying public land, has been extended. In addition, until December 31, 2026, there is no need to complete the incidence assessment procedure for digs less than 200 meters long needed to install Ultrabroadband infrastructure.
- **Decree Law No. 187/2022** ("Lukoil DL") converted with amendments by Law No. 10 of February 1, 2023, introduced a regulatory provision into the legal system on tenders for digital infrastructure that assigns AGCom the task, after consulting with MIMIT, of identifying the technical standards with which the successful bidders awarded the tenders must comply (published after the conversion into law of the DL in question) for the development of the fiber optic network infrastructure, in consideration of the strategic nature of the infrastructure and in order to assure the national interest to a network that guarantees high-performing services.
- **Decree-Law Decree no. 13/2023** (the "NRRP3"), converted with amendments by Law No. 41 of April 21, 2023, which introduced additional measures for the simplification of the procedures of installing Ultrabroadband infrastructures (Art. 18). The regulatory interventions regard:
 - the simplification of the process for the release of traffic orders (to be adopted within 10 days of the date of receipt of the request);
 - the 24-month extension of authorizations (issued at April 22, 2023) for UBB infrastructures;
 - the introduction of simplification measures for the issue of seismic authorization;
 - the exemption from the obligation to obtain environmental authorizations for interventions carried out using the micro-trench technique;
 - the harmonization of municipal competences on the installation of TLC plants with framework law 36/2001;
 - the extension of the subjects called to attend the service conferences;
 - the digital presentation via certified e-mail of authorizations for the installation of mobile telephony systems
 - the reduction of the time (in Service conference) from 90 to 60 days for the formation of tacit assent relating to the conclusion of the procedure for mobile authorization requests.

- coordination instructions between the excavations decree and CCE on the ban on imposing charges/expenses.

As regards NRRP tenders, the DL has ruled:

- **Advance on payments on Italia 1 G, 5G backhauling and densification tenders.** The extension to the tenders specified, of the application of the regulatory provision of the Tenders Code, which recognizes a 20% advance of the total contract value.
- **White Areas UBB Plan – Advance.** The Rotation Fund (Law 183/1987) is authorized to grant the MIMIT an advance of the European Community and national co-financing shares of the programs co-financed by the EU structural funds (EAFRD) up to the limit of 100 million euros for 2023.

New Electronic Communications Code

Italian Legislative Decree no. 207 of November 8, 2021 setting out the “Implementation of Directive (EU) 2018/1972 of the European Parliament and of the Council of December 11, 2018, establishing the European Electronic Communications Code, was published in the Official Journal on December 9, 2021 and came into force on December 24, 2021.

The new Code reviews and replaces the previous regulatory framework and introduces important new features including, in particular, the following:

- **to foster the copper-fiber migration of customers:** the user must allow operators to perform technological adaptation works on the access networks, aimed at improving the connection (without changes to the economic conditions);
- **contract duration:** provide for an initial contract duration of no more than 24 months and introduce at least one commercial offer of a maximum initial duration of 12 months;
- **sanctions:** far more severe, particularly as concerns violations of user protection;
- **right of withdrawal in the event of *ius variandi*:** extension of the deadline to exercise the right of withdrawal (60 days from communication of the contractual changes instead of 30 days);
- **right of withdrawal:** it is stressed that the provisions of art. 1 of Decree Law 7/2007 (Bersani Decree Law) remain in place but the deactivation cost should be eliminated in the event of termination/withdrawal after contract expiry (12/24 months) and the faculty is introduced for the customer to return the network terminal equipment before the agreed contract end date, at no extra cost;
- **Universal Service:** inclusion of the service to access Broadband Internet with a bandwidth that enables the inclusion of all citizens in the country’s social and economic life (Art. 94). AGCom currently has proceedings in progress aimed at defining the adequate bandwidth. A review is envisaged of the existing obligations, by the Minister, by December 21, 2022 (deadline not respected) and thereafter every 3 years (Art. 97). In particular, the Code draws a distinction between coverage obligations and obligations relating to the supply of services.

In order to acquire the market’s thoughts on the application, a year after the coming into force of the legislative decree in question, of the new industry regulations, on May 12, 2023 the Ministry of Enterprises and Made in Italy started a market consultation targeting Market operators of the electronic communication services and networks, concluded last June 15, on the corrections made to Italian Legislative Decree no. 207 of November 8, 2021.

More expensive energy prices

In order to fight the rise in prices of gas and electricity, in 2022 and 2023 the Government took numerous urgent legislative steps to support energy-intensive and less energy-intensive businesses as well as gas-intensive and less gas-intensive businesses. Below are the decree laws that were adopted, with a brief explanation of the main measures.

Decree Law no. 4/2022 (“Support Ter Decree”)

- **Zeroing of the system charges for the increase in prices in the electricity sector 1st quarter 2022:** cancellation of rates relating to the general system charges applied to users with available power of 16.5 kW or more.

Decree Law no. 17/2022 (“Energy”)

- **Zeroing of the system charges for the increase in prices in the electricity sector 2nd quarter 2022:** cancellation of rates relating to the general system charges applied to non-household low voltage customers for other uses, with available power of up to 16.5 kW and rates relating to the general system charges applied to users with available power of 16.5 kW or more, including connected by medium and high/very high voltage or for use for public lighting or to charge electric vehicles in places accessible to the public;
- **Support with the liquidity needs of businesses consequent to the increase in energy prices:** the validity of conditions to obtain the SACE guarantees given to companies has been extended through to June 30, 2022, to support the liquidity needs resulting in order to fight the increase in energy prices.

Decree Law no. 21/2022 (“Ukraine”)

- **Tax credit in favor of companies to purchase electricity 2nd quarter 2022:** companies with electricity meters of 16.5 kW or more, in the event of an increase in the cost per kWh in excess of 30% (average 1st quarter 2022 vs average 1st quarter 2019), a tax credit of 12% is recognized.

Decree Law no. 50/2022 ("Aid")

- **Tax credit for the 2nd quarter 2022** increased from 12% to 15%.

Decree Law no. 80/2022 ("Bills")

- **Zeroing of the general system charges in the electricity sector 3rd quarter 2022:** cancellation of rates relating to the general electricity system charges applied to low voltage users with available power of up to 16.5 kW and to users with available power in excess of 16.5 kW, including connected by medium and high/very high voltage or for use for public lighting or to charge electric vehicles in places accessible to the public;
- **Reduction in VAT and general charges in the gas sector:**
 - supplies of methane gas used for combustion for civil and industrial uses, calculated in the invoices issued for estimated or effective consumption during the months of July, August and September 2022, are subject to a VAT rate of 5%;
 - confirmation of the rates relating to the general system charges in force in the 2nd quarter of 2022;
 - reduction in the rates relating to the general system charges up to the amount of 240 million euros, with particular reference to the consumption brackets of up to 5,000 cubic meters per year.

Decree Law no. 115/2022 ("Aid Bis Decree")

- **Zeroing of the general system charges in the electricity sector 4th quarter 2022:** cancellation of rates relating to the general system charges applied to users with available power in excess of 16.5 kW, including connected by medium and very high voltage or for use for public lighting or to charge electric vehicles in places accessible to the public;
- **Extension of tax credit 3rd quarter 2022:** for electricity (15%) and gas (25%);
- **Extension of VAT at 5%** for methane gas supplies for consumption for the 4th quarter 2022;
- **Extension of the "sterilization" of general system charges in the natural gas sector 4th quarter 2022:** confirmation of the rates of general system charges in force in the 3rd quarter 2022.

Decree Law no. 144/2022 ("Aid Ter Decree")

- **Tax credit for energy and gas for October and November 2022** with extension of the reference basin (from 16.5 kW to 4.5 kW) and the tax credit value (30% electricity and 40% gas);
- **Extension through to November 18, 2022 of the cuts to excise duties** on energy products used as fuel (petrol, diesel and liquefied petroleum gas (LPG) used as fuel and VAT on fuel.

Decree Law no. 176/2022 ("Aid Quater Decree")

- **Extension of tax credit for December 2022 too:** for electricity (30%) and gas (40%).

Law no. 197 of December 29, 2022 (the "2023 Budget Law")

- Increase in value of the **tax credit** for energy and gas for the 1st quarter 2023 (35% electricity and 45% gas);
- zeroing for the 1st quarter 2023 of **general system charges** in the electricity sector but only for low voltage users with available power of up to 16.5 kW;
- **extension of VAT at 5%** for methane gas supplies for consumption for the 1st quarter 2023.
- **extension of the "sterilization" of general system charges in the natural gas sector for the 1st quarter 2023:** confirmation of the rates of general system charges in force in the 4th quarter 2022;
- elimination of system charges to finance nuclear decommissioning.

Decree Law no. 34/2023 ("Aid Quinquies Decree")

- Extension to June 30, 2023 of the **energy tax credit (10%)** recognized to enterprises with power meters available equal to or greater than 4.5 kW **other than energy-intensive enterprises**;
- Extension to June 30, 2023 of the **gas tax credit (20%)**, for energy uses other than thermoelectric uses;
- **VAT extension (5%) at June 30, 2023** on the supplies of methane gas used for civil and industrial combustion and zeroing of **general expenses in the gas sector**.

Decree Law no. 79/2023 ("Aid 6"), currently being converted into law

- **Zeroing until September 30, 2023** of the rates of tariff components relating to **general system charges for the gas sector**;
- **VAT extension (5%) until September 30, 2023 on methane gas supplies** used for combustion **for civil and industrial uses** and for supplies of **district heating services** as well as **supplies of thermal energy produced with methane gas in execution of an energy service contract** for the supply of goods and services necessary to maintain comfortable conditions in the buildings.

Brazil

Revision of the model for the supply of telecommunications services

In 2019 Law 13879 was approved, that came into force on October 4, 2019, establishing a new regulatory environment for the regulation of telecommunications in Brazil. This is the most significant change in 20 years.

The new telecommunications framework allows fixed-line licensees to adapt their contracts from a concession scheme to an authorization scheme. This transition from concession to authorization must be requested by the licensee and requires the approval of the Anatel ("Agência Nacional de Telecomunicações"). In return, licensees must, among other conditions, make a commitment to investment in expanding fixed Broadband telephony services to areas with no adequate competition for these services, in order to minimize inadequacies and inequalities between areas of Brazil.

The change also affects the roles for authorizing the use of radio frequencies, establishing subsequent renewals (currently limited to only one) and allows the exchange of radio frequencies between operators (secondary spectrum market).

In June 2020, Decree 10402 was published, which governs the procedure for adapting the concession to the authorization regime, as well as the definition of the criteria for calculating investment commitments. The Decree also established guidelines for the extension of radio frequency authorization, which will be held by Anatel to guarantee greater security for investments in the sector.

Public policies applicable to the telecommunications sector

Decree 9612/2018 ("Connectivity Plan") established another series of important rules, with guidelines for the adaptation of conduct terms, the onerous concession of spectrum authorization and regulatory acts in general, including: (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 Internet access through this type of infrastructure. This Decree also establishes that the network resulting from the commitments must be shared from the moment it enters into service, except where there is adequate competition in the relevant reference market.

In relation to the deadlines for the development of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments (as identified by Anatel and approved by the MCTI "Ministério da Ciência, Tecnologia e Inovações") will focus primarily on the expansion of mobile and fixed-line Broadband networks and on specific areas of the country. Telecommunications networks built under the investment plan will have shared access. The decree was amended by Decree 10,799/2021, which included priorities for the coverage of public policies, including coverage of the "areas of census with public schools"; coverage of towns not served by mobile telephone and the expansion of fixed access to Broadband in places without access. The decree was amended by Decree 11,299/2022, which envisaged the possibility of a private federal network managed exclusively by Telebras (Brazilian state company).

The decree also provides for the assignment of funds for the approval of projects approved by Connected Cities and for the temporary supply of fixed or mobile Broadband. In addition, it regulates the private federal network, which can be carried out by other public or private entities or organizations and the criteria for the use and management of the network will be defined by the Federal Government under the terms established in a deed of the Ministry of State for Communications.

In 2020, the decree No. 10480/2020 was published by the federal government, which regulates the antennas law (law 13116/2015) with the purpose of stimulating the development of the telecommunications network infrastructure. This decree fosters development of telecom network infrastructure and is a major step towards unlocking historical problems in the sector preventing its development (free right of way on highways and railways, positive silence, small cells, dig once are some of the examples of such regulatory removal of historical problems).

That same year, law 14,109/2020 authorized the use of FUST ("Fundo de Universalização dos Serviços de Telecomunicação"), 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 June 15, 2021, Provisional Measure 1018/2020 was converted into Law No. 14173/2021, reducing charges for satellite internet terrestrial stations and changing some of FUST application rules. The law reduces FUST collection between 2022 and 2026, to telecommunications operators that run universalization programs approved by the Board of Directors with their own resources. The benefit will be valid for five years from January 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards. In addition, the new legislation removes the obligation to share towers within a distance of less than 500 meters from each other. The elimination of this obligation is essential for the deployment of 5G in Brazil, including to ensure the densification scenario expected for the new technology.

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, instituted in June 2022. At the beginning of July, the internal regulations of the Fust Management Board were published and a budget for 2023 was proposed for digital inclusion. During the second half of 2022, in its Resolution 02/2022, the Management Board defined further details on the mechanisms for using the FUST, clarifying the role of the financial agent, the accountability mechanism and the Anatel function in the application of the reduction of the contribution in the waiver mechanism. The Board also unveiled connectivity programs for public elementary schools and projects to expand connectivity and grants for low-income users.

At present, Anatel is reviewing important Regulations, such as, for example: (i) the General Regulation for Consumers (RGC), which lays down general rules for customer services, billing and the offer of services, applicable to fixed telephony, mobile, Broadband and cable TV customers; (ii) the General Competition Plan (PGMC), which aims to foster competition through the creation of interconnection obligations and the sharing

of infrastructures already installed by other operators; and (iii) the Regulation governing the use of spectrum (RUE), with a particular focus on the dynamic management of the spectrum, on shared spectrum access and on secondary spectrum trade markets.

Revision of the Service Quality Regulation

In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (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 reactive 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.

After a joint work of Anatel, operators and the Quality Assurance Support Authority (ESAQ) to define the objectives, criteria and reference values of indicators, late November 2021, the Anatel Board of Directors formalized the reference documents in support of this regulation: the Operating Manual and the Reference Values; and established the operative coming into force on March 1, 2022. The results relating to the first assessment cycle were disclosed in June 2023, considering the indicators monitored in the second half of 2022.

Data protection

On August 14, 2018, the General Data Protection Law (Law 13,709/2018, “LGPD”) was promulgated.

In December 2018, Provisional Measure 869/2018 created the National Data Protection Authority (ANPD), also extended the entry into force of the Law to 24 months (August 2020).

In June 2020, Law 14,010/2020 deferred the coming into force of the LGPD, only for the provisions related to fines and penalties, to August 2021. The other provisions of the law took effect in September 2020. In addition, Decree 10,474/2020 (National Data Protection Authority) came into force in August 2020, establishing the ANPD (Brazilian National Data Protection Authority), which is responsible for, among other things: developing guidelines for the National Data Protection Policy; supervising companies and applying sanctions; and issuing regulations and procedures on personal data protection.

In August 2021, articles relating to supervision and sanctions by the National Authority (ANPD) came into force.

In October 2021, the regulation (CD/ANPD no. 1 of October 2021) for the supervision and sanction administrative process under the responsibility of the ANPD was approved.

In January 2022, the regulation (CD/ANPD no. 2 of January 2022) implementing the LGPD for small processing agents was approved.

In June 2022, a Provisional Measure nº 1124 was published, transforming the Brazilian National Data Protection Authority (“ANPD”) into an independent agency of special nature. The Provisional Measure has an immediate effect but must be subject to a Congressional approval to be made into law.

In October 2022, Provisional Measure 1124 was converted into Law 14,460/22, transforming the Brazilian National Data Protection Authority (“ANPD”) into an independent agency of special nature.

In December 2022, the new incident report form was published, with the obligation to report any breach of personal data.

In January 2023, the ANPD became a self-sufficient entity connected to the Ministry of Justice and Public Safety.

Digital Transformation, IoT and Artificial Intelligence

In March 2018, the E-Digital Decree (9319/2018 Decree) was published, in order to identify about 100 strategic actions to encourage competition and the country's level of online productivity, while increasing connectivity and digital inclusion levels. These actions seek to address the digital economy's main strategic questions, including connectivity infrastructure, data use and protection, the IoT and IT security. In December 2021, the MCTI began the review and approval is expected by the end of 2022.

The Decree on the National Plan for the Internet of Things (Decree 9854/2019) was published in June 2019, to regulate and promote this technology in Brazil. The IoT is referred to as the “infrastructure integrating the provision of value-added services with the ability to physically or virtually connect things using devices based on existing information and communication technology and their evolution, with interoperability”. The Decree lists the following topics, defining them as necessary to further support the National Plan for the Internet of Things: (i) science, technology and innovation; (ii) international integration; (iii) education and professional training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (vi) economic feasibility.

In order to develop an IoT environment in the country, Law 14108/2020 was passed. This law exempts base stations and equipment that integrate machine-to-machine (M2M) ecosystems from FISTEL (an administrative tax collected by Anatel) for 5 years and, in addition, extinguishes the previous license. The definition and regulation of M2M communication systems are established by Anatel.

In April 2021, the Brazilian Strategy for artificial intelligence (AI) was published by MCTI with the objective of guiding the actions in favor of the development of research and innovation in solutions with the application of artificial intelligence, as well as its conscious and ethical use to ensure innovation. In April 2022, a Public Consultation was launched by the Senate in order to discuss the new regulatory framework for artificial intelligence in Brazil. The Public Consultation is being held by a commission of specialized jurists that will address economic-social contexts and benefits of artificial intelligence; sustainable development and well-

being; innovation; AI research and development (resource funds and public-private partnerships); public security; agriculture; industry; digital services; information technology; and healthcare robots.

In November 2022, the MCTI published the Order (“Portaria”) no. 6543, which approved the Brazilian digital transformation strategy (“E-Digital”) for the 2022-2026 cycle. This regulation has established actions focused on assuring growth of the telecommunications market, industry 4.0, education, the market and international practices, the digitization of government platforms, privacy and security.

CORPORATE BOARDS AT JUNE 30, 2023

Board of Directors

The Ordinary Shareholders' meeting of TIM, held on March 31, 2021, appointed a Board of 15 Directors and for a three-year term of office (up to the approval of the financial statements at December 31, 2023). At its meeting on April 1, 2021, the Board of Directors confirmed Salvatore Rossi as its Chairman, and Luigi Gubitosi as Chief Executive Officer of the Company.

During the meeting held on November 26, 2021, Luigi Gubitosi returned the delegations of Chief Executive Officer and the appointment of General Manager. The Board of Directors thus appointed Pietro Labriola as General Manager, attributing him all the powers necessary for performing actions pertinent to the activity of the company. During the same meeting, the Board of Directors appointed Paola Sapienza as Lead Independent Director.

Thereafter, on December 17, 2021, Luigi Gubitosi stood down from TIM's Board of Directors, which on January 21, 2022 then coopted Pietro Labriola, who maintained the office of General Manager and appointed him Chief Executive Officer.

The Shareholders' Meeting of April 7, 2022 confirmed Pietro Labriola as Company Director (until approval of the financial statements as at December 31, 2023) and the Board of Directors meeting held on that same date appointed him as CEO; Pietro Labriola also maintained the powers and attributions as General Manager of the Company. As CEO and General Manager, Pietro Labriola is classified as a (non-independent) Executive Director.

The current power structure of the Company provides the assignment:

- to the Chairman, of the powers contemplated by law, the bylaws and corporate governance arrangements;
- to the Chief Executive Officer, of all powers necessary to perform acts pertinent to the Company's business, except for the powers reserved to the Board of Directors.

On September 29, 2022, Luca De Meo stood down from office (after having already renounced, on March 23, 2022, the role of member of the Nomination and Remuneration Committee). On November 16, 2022, Franck Cadoret stood down. In their stead, respectively on November 30, 2022 and December 15, 2022, Giulio Gallazzi (Independent Director) and Massimo Sarmi, were coopted, then confirmed in office by the Shareholders' Meeting held on April 20, 2023. On January 16, 2023, Arnaud Roy de Puyfontaine tendered his resignation from the office of Board director. On June 14, 2023, Alessandro Pansa was coopted to replace him and will remain in office until the next Shareholders' Meeting.

At June 30, 2023, the Board of Directors of TIM S.p.A. had the following members:

Chairman	Salvatore Rossi
Chief Executive Officer and General Manager	Pietro Labriola
Directors	Paolo Boccardelli (independent)
	Paola Bonomo (independent)
	Paola Camagni (independent)
	Maurizio Carli (independent)
	Cristiana Falcone (independent)
	Federico Ferro Luzzi (independent)
	Giulio Gallazzi (independent)
	Giovanni Gorno Tempini
	Marella Moretti (independent)
	Alessandro Pansa
	Ilaria Romagnoli (independent)
	Paola Sapienza (Lead Independent Director)
	Massimo Sarmi
Secretary to the Board	Agostino Nuzzolo

The following board committees were in place at June 30, 2023:

- **Control and Risk Committee**, composed of the Directors: Federico Ferro Luzzi (Chairman), Paolo Boccardelli, Paola Bonomo, Marella Moretti and Ilaria Romagnoli;
- **Nomination and Remuneration Committee**, composed of board members: Paola Bonomo (Chairman), Paola Camagni, Maurizio Carli and Paola Sapienza;
- **Related Parties Committee**, composed of the Directors: Paolo Boccardelli (Chairman), Maurizio Carli, Cristiana Falcone, Marella Moretti and Ilaria Romagnoli;
- **Sustainability Committee**, made up of the Chairman of the Board of Directors, Salvatore Rossi and Directors Paola Camagni, Cristiana Falcone, Federico Ferro Luzzi and Paola Sapienza.

Board of Statutory Auditors

The Ordinary Shareholders' Meeting of March 31, 2021 appointed the Company's Board of Statutory Auditors for a term of office that will end with the approval of the 2023 financial statements.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Francesco Fallacara
Standing Auditors	Angelo Rocco Bonisconi Francesca di Donato Anna Doro Massimo Gambini
Alternate Auditors	Ilaria Antonella Belluco Laura Fiordelisi Franco Maurizio Lagro Paolo Prandi

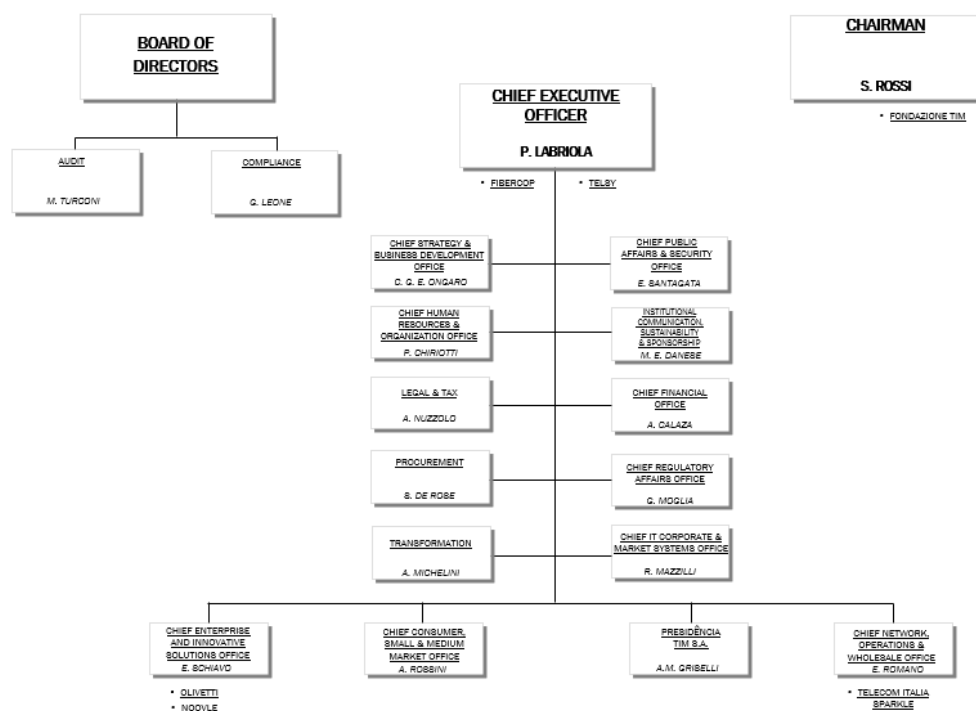
Independent Auditor

The engagement for the independent auditing of the financial statements of TIM S.p.A. for the nine-year period 2019-2027 was awarded to EY S.p.A. by the shareholders' meeting of March 29, 2019.

Executive responsible for preparing the corporate accounting documents

At the meeting of February 14, 2022, the Board of Directors appointed Adrian Calaza Noia (Head of the Group Chief Financial Office) as the manager responsible for preparing the financial reports of TIM S.p.A. starting from the approval of the Company's draft 2021 financial statements.

MACRO-ORGANIZATION CHART



INFORMATION FOR INVESTORS

Share capital of TIM S.p.A. at June 30, 2023

Share Capital	11,677,002,855.10 euros
Number of ordinary shares (without nominal value)	15,329,466,496
Number of savings shares (without nominal value)	6,027,791,699
Number of TIM S.p.A. ordinary treasury shares	105,062,422
Percentage of ordinary treasury shares held by the Group to total share capital	0.49%
Market capitalization (based on June 2023 average prices)	5,413 million euros

On May 25, 2016, the Shareholders' Meeting approved amendments to the company name, introducing the name "TIM S.p.A." as an alternative to "Telecom Italia S.p.A."

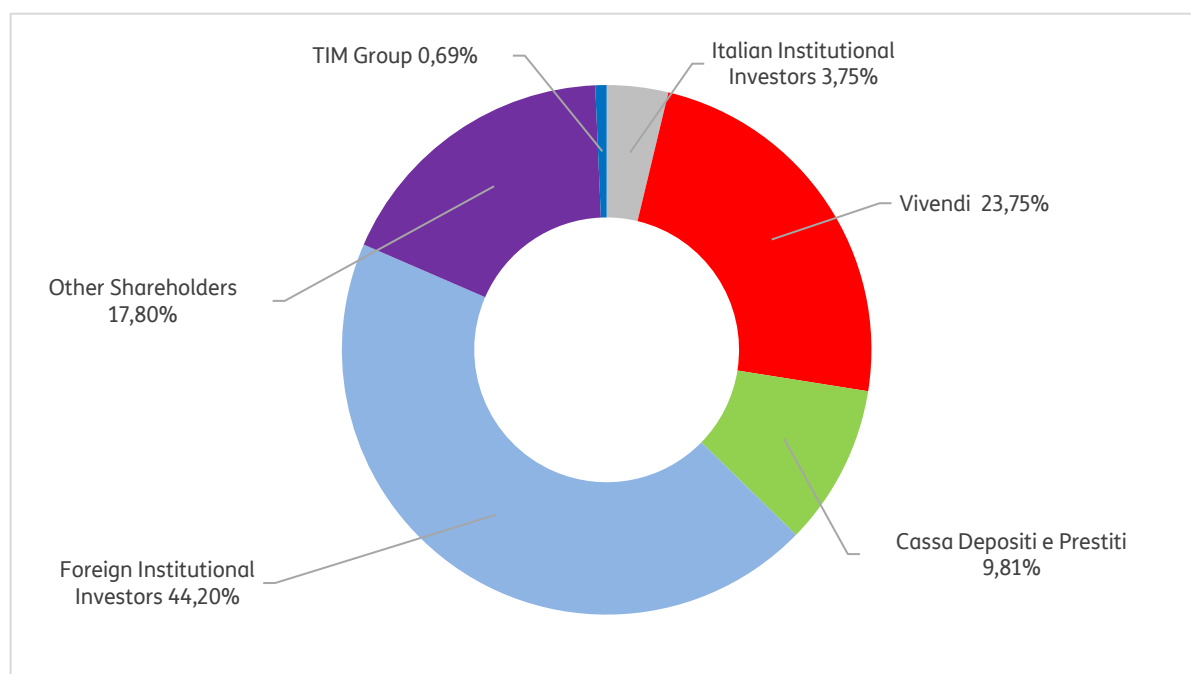
TIM S.p.A. ordinary and savings shares are listed on the Italian stock exchange (FTSE index), whereas the ordinary shares of TIM S.A. are listed in Brazil under B3.

Code	TIM - Telecom Italia		TIM S.A.
	ordinary shares	savings shares	
Stock exchange	IT0003497168	IT0003497176	BRTIMSACNOR5
Bloomberg	TIT IM	TITR IM	TIMS3 BZ
Reuters	TLIT.MI	TLITn.MI	TIMS3.SA

Ordinary shares of TIM S.A. were also listed on the NYSE (New York Stock Exchange); share prices are set through ADS (American Depositary Shares) representing 5 ordinary shares of TIM S.A.

Shareholders

Shareholder composition according to the Shareholders Book at June 30, 2023, supplemented by communications received and other available sources of information (ordinary shares):



Major Holdings in Share Capital

Based on the Shareholders Book, the notifications sent to Consob and to the Company pursuant to article 120 of Legislative Decree No. 58 of February 24, 1998 and other available information, the following major shareholdings **(above the threshold of 3%)** in the ordinary capital of TIM S.p.A. exist:

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.75%
Cassa Depositi e Prestiti S.p.A.	Direct	9.81%

Common Representatives

The special meeting of the savings shareholders held on June 28, 2022 renewed the appointment of Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2024. Upon completion of the shareholders' meeting called to approve the financial statements for the year 2024, the general category meeting will be called to renew the common representative of savings shareholders.

Rating at June 30, 2023

At June 30, 2023, 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

Waiver of the obligation to publish disclosure documents for extraordinary transactions

On January 17, 2013, the Board of Directors of TIM S.p.A. resolved to exercise the option, as per article 70 subsection 8 and article 71 subsection 1-bis of the Consob Regulation 11971/99, to waive the obligations to publish disclosure documents in the event of significant operations such as mergers, demergers, capital increases by means of the transfer of assets in kind, acquisitions and disposals.

RELATED-PARTY TRANSACTIONS

In accordance with Article 5, subsection 8 and 9 of Consob Regulation 17221 of March 12, 2010 concerning “Related-party transactions” as subsequently amended, no significant transactions were conducted in the first half of 2023, as defined by Article 4, subsection 1a of the aforementioned regulation, that had a material impact on the financial position or the performance of the TIM Group.

In addition, no transactions were concluded during the first half of 2023, which had a significant impact on the financial position or the performance of the TIM Group nor were there any changes or developments with respect to the related-party transactions described in the 2022 Report on Operations.

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](https://www.gruppotim.it), under the Group section/Governance tools channel.

For information on transactions with related parties, see the Financial Statement Statements and the Note “Related-party transactions” of the TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

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.

INNOVATION, RESEARCH AND DEVELOPMENT

The first six months of 2023 saw the TIM Group act as spokesperson for the transversal innovation activities, key to technological, market and competitive change. The Innovation Department, strengthened by TIM Innovation Labs, with offices in Turin, Milan, Rome and Catania, which employ approximately 160 people, focuses on activities which create a competitive advantage for the company in terms of business, technological innovation and recognition of the brand's innovative value, both with a view to growing the top line and increasing the company's efficiency. More generally, in Research and Development TIM employs 1,450 people in Italy.

TIM has strengthened its commitment to the Open Innovation paradigm as an operating model by focusing on:

- establishing a large ecosystem of partners (start-ups, companies, universities, public administration, etc.), to encourage meeting "demand" with "supply";
- the creation of lasting relationships with strategic partners;
- an approach focused on the Platform model, in which TIM provides the functions used by the subjects (both internal and external) involved in the innovation process to create new digital products/services.

Network innovation and 5G-based services

Tens of billions of devices and sensors attached to things and people, with high-performing connections to generate an ever-increasing amount of data, supporting the evolution of digital society over the next 20 years, from urban mobility to security, e-government to health, environmental monitoring to transport, right through to tourism and entertainment. This will be the impact of 5G, a fundamental technology for a series of digital services thanks to speeds reaching 10Gbps and a latency of 1 millisecond.

As the sole party awarded the "5G Backhauling" and "5G Densification" plans financed by the National Recovery and Resilience Plan (NRRP), the TIM Group is making the investments necessary to develop the 5G mobile network.

More specifically, in relation to the "5G Backhauling" Plan, in March 2023, approximately 600 radio mobile sites have been completed in fiber optic, developing more than half the coverage envisaged by the NRRP target for the first half of 2023. As regards the "5G Densification" Plan, in March 2023, 95 requests for authorization were submitted and a first lot of sites defined to help achieve the NRRP objectives of the first half of 2024.

In May, the European Investment Bank (EIB), assisted with a 60% guarantee by SACE, has confirmed its commitment, flanking TIM in the development of latest generation network infrastructures with a 0.36 billion euro loan dedicated to strengthening 5G coverage in Italy. The loan will allow the TIM Group to have access to a debt instrument at more favorable conditions than those offered by the market and confirms the strategic nature of investments in extending 5G coverage on national territory by end 2025, as held by TIM.

TIM was the first operator to activate a 5G antenna in Italy on millimeter waves, the first to cover the whole of the Republic of San Marino with 5G and the first to have shown the function of a fully remote driven car using 5G in Italy (together with Ericsson and Turin City Council), amongst the first in Europe to organize a live concert-event using 5G technology with millimeter waves and immersive reality (in collaboration with Qualcomm) in the Pompeii Amphitheater.

TIM has already achieved over 90% 5G coverage in Milan. The service is already available in over 500 municipalities for citizens and businesses at speeds of up to 2 Gigabits per second, including: Rome, Milan, Turin, Florence, Naples, Benevento, Ferrara, Bologna, Genoa, Verona, Ivrea, Novara, Brescia, Monza, Bergamo, Como, Salerno, Bolzano, Caserta, Rovigo, Padua, Bari, Nuoro, Avellino, Pisa, Trieste, Venice, Catania, Belluno, Andria, Matera, as well as many others. For details of the 5G locations click on this link: <https://www.tim.it/fisso-e-mobile/5g#mp--1669042489>.

TIM will continue to expand its 5G coverage with the aim of reaching 90% of the population by 2025, as envisaged by the new strategic plan. Many municipalities will be able to make use of 5G, including superfast connections through FWA (fixed wireless access).

TIM has launched new commercial offers and signed partnerships with industry players to make 5G smartphones available to the market, together with offers targeted at consumer and business customers (TIM 5G Power in versions Smart, Top, Unlimited and TIM Young for the under-25s for consumer customers; TIM 5G Power in versions Premium, Executive and Unlimited for business customers). TIM also offers 5G speed to customers traveling beyond the Italian borders. With a 5G offer already active and valid in Italy, customers can automatically benefit from 5G roaming agreements stipulated between TIM and the main partners throughout numerous European and international countries. For more details: <https://www.tim.it/fisso-e-mobile/estero/copertura-5g>.

The TIM Group has so far laid over 23 million kilometers of fiber across the country, providing over 5,750 Italian municipalities with Ultrabroadband services for the benefit of citizens, businesses and public administration. 95% of households use the fixed network with Ultrabroadband coverage. TIM's 4G mobile network reaches more than 99% of the population.

By 2025, the Group aims to reach 48% of the country's property units with FTTH technology.

5G will have clear advantages for:

- consumers - who will have a choice of a vast array of innovative services based on the Internet of Things, with devices connected to sensors for fitness, cars, radio, climate control systems, household appliances and video cameras. In addition, 3D immersive experiences can be enjoyed in entertainment, thanks to the low latency and high capacity of the 5G bandwidth;

- companies - new production processes will be enabled that, thanks to the characteristics of 5G technology and the combination with artificial intelligence, the cloud and smart robotics, will be more efficient, reliable and secure;
- citizens - smart cities will become a reality thanks to the availability of data provided by millions of sensors attached to objects (e.g. lampposts, traffic lights, etc.) connected to the network. Each town can thus have its own Control Room.

TIM has launched new commercial offers and signed partnerships with industry players to make the new 5G smartphones available to the market, with offers targeted to business customers and consumers. It is committed to the continuous development of assets (fiber in fixed and 5G in mobile) and to developing new businesses, also making the most of the advantages linked to the funds made available by the NRRP (national recovery and resilience plan).

The latest applications and scenarios for use of TIM's 5G

Private 5G network offer for businesses

TIM offers a private 5G network for customers who need dedicated connectivity. The solution guarantees low latency, high traffic capacity, data security and reliability, all the features that optimize competitive success in many market sectors.

Car, transport and ports

In December 2022, TIM and Google Cloud launched the very first platform in Italy to enable smart mobility on TIM's Edge Cloud 5G technology and that will make it possible to develop new applications dedicated to connected cars and smart transport. The project uses TIM's 5G network in the area of Bologna and Modena and will allow MASA (Modena Automotive Smart Area) and the University of Modena and Reggio Emilia to try out the new solutions for self- and assisted-drive cars and evolved cloud mobility applications, which require ultra-secure, dynamic communication between the vehicles and the road infrastructure and integration with the smart city systems.

In October 2022, TIM paired up with ANM to present the first "connected" tram in Naples. The trial of cloud mobility, in a partnership with Qualcomm, offers passengers infotainment services and 5G connectivity. The solution is developed by TIM Enterprise and uses the specialized competences of Noovle for the Cloud and Edge Computing solutions.

Starting June 2022, TIM has taken part in the "5G-CARMEN" trial, a cross-border project on autonomous and assisted driving services, developed on the 5G mobile network along the motorway segment on the border between Italy, Austria and Germany. The test demonstrated continuity of service for all motorists traveling from one country to another, guaranteeing roaming with the same quality of service standard provided for national users. Funded by the European Commission and coordinated by the Fondazione Bruno Kessler, the project also involves other operators and players in the sector. 5G-CARMEN is an opportunity to explore the application of 5G technology in the automobile industry within a multinational environment. The project has led to the creation of a patent in TIM, facilitating collaboration with research institutes and universities.

Smart City

In Venice, the Control Room for the smart city of the future, the only one of its kind in Italy, brings together solutions to improve mobility and safety in the city by creating a model of urban intelligence based on enabling technologies such as IoT, artificial intelligence and the cloud.

TIM Enterprise has made it possible to implement the project with the TIM Urban Genius solution, developed in collaboration with Olivetti, the Group's IoT specialist company. "TIM Urban Genius" is a sort of "console", equipped with the best digital technologies, which creates a sustainable smart city model also able to respond to unexpected events, in support of the authorities and citizens and to the benefit of the general public, and which has already been adopted by various large and smaller municipalities. TIM Urban Genius uses the latest Information Technology, in particular Big Data, Video Analytics and Machine Learning, Internet of Things, Cloud Computing and 5G, to provide real-time information and forecasts, in support of the authorities' decisions for controlling and measuring the condition of the city, road and water traffic, to govern flows and assist with citizen mobility, allowing for rapid or early intervention in situations of need to optimizing service planning.

In this area, in addition to Venice, other projects have also been started like that in Cairo Montenotte, which aims to improve mobility and urban safety and the more recent one in Assisi, to detect tourist presence within the city, based on a specific algorithm that allows for the analysis of numbers and origins, starting out from the data collected by the mobile telephone network, anonymously and in complete respect of privacy.

TIM partners the new urban laboratory of Turin "Casa delle Tecnologie Emergenti [House of Emerging Technologies] - CTE Next" for the development of strategic segments like smart mobility, industry 4.0 and innovative urban services. It is a center for wide-ranging technology transfer on the emerging technologies enabled by TIM's 5G.

Tourism, Culture & Entertainment

New extended reality technologies offer valid alternative contact methods with spectators and visitors, for use of contents in museums, archaeological sites and in promoting the territory and culture.

The technological platform allows for the creation and customization of augmented and virtual reality experiences and stems from experiments carried out in TIM's innovation area. At present, these innovative solutions are included in the catalog of TIM Enterprise offers.

In June 2023, for the 1st leg of the Giro d'Italia Under 23 of Agliè, the TIM Group has developed a platform that combines 5G with the cloud and artificial intelligence to allow enthusiasts to enjoy an experience that is even more filled with contents during the sports race. Video recordings have been made available using an innovative 5G multiview live system and the cloud, employing technological rucksacks positioned on

motorcycles and helicopters to follow cyclists during the race. In addition, an app has made it possible to select multiple views in real time on the device, with the option of viewing the most interesting highlights of the event, selected by an artificial intelligence algorithm.

Automation and industrial robotics

Interconnecting, exchanging data and managing industrial systems remotely, ensuring greater efficiency, reliability, security, as well as significantly improving the production cycle. The use of a dedicated 5G private network achieves the objectives of very low latency and good data security required by production companies.

In **January 2023, TIM Enterprise started a partnership with Ilmea**, a metalworking company of Boncore in Salento, **amongst the first in Italy to adopt a private 5G network. TIM's Private Network 5G** solution enables the interconnection of machines and data production functional to business objectives, with all the advantages of 5G on a private perimeter: high security, speed, low latency and flexibility. This service satisfies the growing need of businesses to speed up the digitization process and modernize production chains.

Innovation and research with universities

Research and University are key words for TIM's two pronged approach, which has set it apart for over 50 years for its focus on innovation and development of partnerships with the Italian academic world.

The multi-year relationship existing with POLITO is worthy of note, also thanks to the activation of a three-year agreement through which a profitable, satisfactory collaboration can be started.

With other universities too, TIM is pursuing specific research collaborations.

Some figures:

- research collaborations for an annual figure of approximately 800,000 euros for orders on all technological topics of fixed network, mobile network, cloud, AI, energy and metaverse with various Departments;
- the endorsements of TIM researchers involved in various ways in university courses;
- 10 PhD courses financed by TIM;
- Quantum Academy (the first in Italy);
- collaboration in European and national projects from the Horizon program to Restart;
- profitable collaboration with the research ecosystem in CTE Next, CIM 4.0.

Innovation, research and development in Brazil

The Architecture & Technology Evolution department¹ is responsible for Research and Development (R&D) activities; its main tasks are to define technological innovation for the network and information technology, to identify evolutionary needs for new technologies and devices, converging architectonic guidelines and strategic alliances in order to use the new business models and guarantee that the network infrastructure evolution is in line with the corporate strategy.

In June 2023, the Architecture & Technology Evolution department was made up of 52 people, including telecommunications, electrical and electronic, IT and other specialists with professional skills and experience, which cover all areas of network and IT knowledge, meeting the need to innovate and support research and development activities.

TIM Lab is the multifunction environment focused on innovation, which also plays a strategic role in supporting credibility tests and trials, as well as PoCs (proofs of concepts), collaborating with the main suppliers and technology partners through knowledge sharing, technological infrastructure for interoperability tests, staff assessment and the definition of technical requirements; in synergy with the R&D department, it facilitates innovation activities and promotes collaborations with universities and research institutes.

The TIM Lab Innovation Center has moved to São Cristóvão, Rio de Janeiro, in the State of Rio de Janeiro, has a surface area of 850 m² and can also be used as an innovation space open to new opportunities, guiding innovation on the Brazilian telecommunications market and acting as national point of reference for R&D² as well as strengthening the validation capacity regarding new software, features, solutions, technologies, services and devices and extending the current structure in order to pursue and develop more businesses and opportunities in 2023-2024.

The Architecture & Technology Evolution Department has continued to work on projects and initiatives for the evolution of the business of TIM, which can be grouped into the following macro groups:

- next generation network;
- with a positive impact on the environment and society;
- future Internet applications;
- Open Lab initiatives.

Next generation network projects

The reassignment of the 1,800 MHz, 850 MHz and 2,100 MHz bands from 2G/3G to 4G, with a multilayer distribution configuration gives TIM S.A. three important competitive advantages:

¹ Architecture and Technology Evolution, within the Chief Technology and Information Office (CTIO).

² TIM Lab of TIM S.A. also collaborates with TIM Lab Italy, which has more than 50 years of experience.

- a reduction in costs for the LTE implementation³, the extension of the LTE coverage area and the activation of the carrier aggregation strategy, improving the customer experience through a higher throughput;
- the best indoor coverage. In addition to the expansion of coverage, use of the 850/1,800/2,100 MHz bandwidths could increase the capacity in cities already covered by the LTE bandwidth at 2.6 GHz, at limited additional cost.

In this scenario, over 99% of current LTE terminals are compatible with the 1,800 MHz, 2,600 MHz bands and other available bands. Therefore, the implementation of the multilayer LTE continues to be an excellent strategy that benefits from the spread of devices.

The implementation of the 700 MHz LTE layer has continued to significantly improve coverage expansion and indoor penetration, promoting the presence of LTE on a national level, and consolidating TIM S.A.'s leadership in LTE. At the end of June 2023, 4,543 cities had 700 MHz LTE coverage, namely over 98.4% of the urban population; spectrum cleaning was completed in June 2019 in all cities of Brazil, enabling a bandwidth of 700 MHz.

TIM S.A. has covered all cities of Brazil since December 2022, assuring 100% of presence nationally (in any technology) and bringing the Industrial Plan forward by a year. The aim for end 2023 is to have a 4G presence throughout national territory.

In 2022, TIM S.A. started deploying sites with the n78 band (3500 MHz), according to the regulatory rollout specified in the auction, which means that all capitals in Brazil have TIM's 5G SA (Stand-alone) coverage. In addition, TIM has almost the sum of the antennas of its competitors: in June 2023, TIM's 5G antennas numbered 5.8 thousand. This frequency band has a 100 MHz bandwidth, that delivers higher throughput, and is currently used in the 5G networks.

In May 2023, TIM completed the first 5G experimentation on the 6 GHz band of the Americas, operating in collaboration with Huawei, showing that this frequency has similar capacity and coverage to those of the 3.5 GHz band. In this way, the 6 GHz band will be the most suitable spectrum in the event of an overload of the 3.5 GHz band.

Projects entailing a reduction of energy consumption

The expansion of "LTE RAN Sharing", in partnership with other mobile operators in Brazil to fulfill regulatory obligations from the 4G spectrum auction, aims to define the architectural requirements, technical assumptions and specifications for the "LTE RAN sharing"⁴ solution, optimizing network resources and costs⁵. At present, this is the largest agreement for RAN sharing worldwide and it supplies 4G services to the main cities of Brazil.

The RAN sharing agreement allows TIM S.A. to promote the spread of LTE in the Brazilian rural areas, thanks to effective sharing of spectrum, access and backhaul.⁶ At present and after Oi's acquisition, LTE RAN Sharing is a TIM S.A. and Telefónica partnership, based on the MOCN architecture, expanding the benefits and efficiency of this technical model. The energy consumption recorded for the site, dependent on the access technology and coverage conditions, showed a reduction of up to 10%.

In December 2019, TIM S.A. and Telefónica stipulated new sharing contracts aimed at increasing the network cost efficiency through the following initiatives:

- Single network: sharing of the 3G and 4G networks in cities with fewer than 30 thousand inhabitants in which both operators provide their services. The underlying idea is to have, in the cities included in the agreement, a single telecommunications infrastructure that is entirely shared by the operators, thereby allowing them to switch off redundant sites and save on energy, rent and maintenance costs. This also allows for greater efficiency in future investments thanks to the sharing of the spectrum in MOCN mode.
- 2G Switch-off: nationwide sharing of the 2G network using GWCN technology, enabling both operators to switch off part (approximately 50%) of their network with the same technology, consequently saving on energy and maintenance costs.

Both initiatives are currently ongoing and expected to reach completion by end 2024.

Next generation network projects, future Internet applications, positive impact on the environment and society

5G for the automotive segment - in collaboration with Stellantis, IP Facens (the Research Institute of the Facens University Center), the universities of USP - São Carlos, UFSCAR and the German Technische Hochschule Ingolstadt (THI), in June 2023, TIM announced the launch of the project "Conecta 2030: Ecosistema Connesso e Cooperativo per il rilevamento dei pedoni agli incroci" (Conecta 2030: connected, cooperative ecosystem to detect pedestrians at crossroads), aimed at creating a collaborative environment focused on initiatives assuring the safety of pedestrians and cyclists. Approval of the loan was announced late April by FUNDEP, one of the coordinators of the Rota 2030 program. From now on, the companies involved in Conecta 2030 will need to address the challenge of developing a concept-ecosystem over the next 3 years, for the development and implementation of advanced driver assistance systems (ADAS), based on three main pillars: 5G connectivity, artificial intelligence and digital twins.

Private Networks - In 2022 TIM started offering private networks, with edge core and Multi-Access Edge Computing (MEC) capabilities on the customer premises, allowing the deployment of high throughput, low-latency, and high-availability services on 5G. The first deployments are expected this year (2023), at customers

³ Long Term Evolution.

⁴Sharing the Radio Access Network - RAN.

⁵ Infrastructure costs are mainly associated with the introduction of new radiating systems and other electronic components, passive site infrastructure and transport networks; therefore, the sharing of the resources supplied by LTE RAN makes for a significant optimization of costs for telecommunications operators.

⁶ In the telecommunications sector, a backhaul network or return network is the portion of a hierarchical network that includes intermediate connections between the core network (or backbone network) and the small sub-networks at the "margins" of the same hierarchical network.

in the agri-food and port logistics segments. Also in 2022, TIM ran a Proof of Concept with a customer in the automotive industry, successfully demonstrating an automated quality conformance use case.

LEO Satellites - In 2022 TIM evaluated the use of LEO satellite constellations as the backhaul of mobile access network sites, demonstrating the feasibility of this kind of architecture to solve remote site implementation issues.

Open RAN - In 2020, TIM S.A., Telecom Infra Project (TIP) and Intel launched the Open Field Program to leverage open and disaggregated solutions for the Radio Access Network (RAN). The program was postponed because of the COVID-19 pandemic, but the first field tests started in 2022 at Intel campus in Santa Rita do Sapucaí - MG. March 2023 saw completion of the Open RAN 5G SA TIP test plan for access to the network with the supplier and the internal TIP process began to obtain the TIP Silver Badge⁷; this should be completed after review and approval of the deliverables. Since then, TIP has reduced its business in Latin America and the initiative has been closed.

5G solutions through Cubo partnership - In October 2022, TIM Hub 5G was launched with demos (FWA, VR gaming, AR for Industry 4.0, 5G notebook, 360° neckband and camera), to promote and co-create with startups. The TIM Hub 5G within Cubo Itaú enables collaboration through an ecosystem, i.e. a place of experimentation where customers, large companies, entrepreneurs, investors, and public institutions, services and valid cases are linked with solutions in general. In March 2023, TIM Hub 5G, in collaboration with another maintenance worker of Cubo (Suzano) has selected a startup to develop its agribusiness solution, exploiting TIM's 5G technology in one of the Suzano agricultural companies. This initiative should take shape this year.

Open Lab initiatives

TIM S.A. joined the Telecom Infra Project (TIP) in 2017, an initiative founded by Facebook, SK Telecom, Deutsche Telekom, Nokia, Intel and other companies, which aims to create a new approach to building and implementing the telecommunications network infrastructure. TIM S.A. transformed TIM Lab into the first TIP Community Lab in Latin America, available to TIP members to create universal standards for solutions (initially transport networks, Open Optical Packet Transport working group), to overcome the challenges related to interoperability of different supplier products.

In 2018, TIM S.A. also joined, together with Vodafone and Telefonica, a new working group within the TIP, called DCSG (Disaggregated Cell Site Gateway⁸). This project is an opportunity to define a common set of operator requirements and coordinate with companies that manufacture devices, which have wider and more flexible capacities and are cheaper; in June this year, the main functions of the solution were demonstrated with the help of Facebook, core EDGE suppliers and TIP members.

Finally, in 2020, TIM S.A. and the TIP partners completed their validation of the TSS (Total Site Solution), an inexpensive, unrestricted 4G NodeB solution, powered by solar energy and connected by satellite to the core TIM S.A. network, to be used in remote zones with low population density. Since then, TIM has also adhered to other initiatives, like OpenRAN with the Open Field project, to validate OpenRAN 4G and 5G solutions focused on the separation of hardware and software at RAN level. This latter initiative was closed in March 2023, when TIP reduced its business in Latin America, but before this it was possible to validate the Open RAN 5G SA TIP test plan with an Open RAN 5G supplier.

⁷ The TIP Silver Badge shows the testing of a product, a combination or a solution for alignment with the requirements defined by TIP, typically in a controlled environment. The specific tests required for a particular badge are established by the TIP project groups and include a significant subset of all tests required for the development.

⁸ Based on an open and unbundled architecture, the new DCSG is designed for the economic backhaul of cellular site traffic on existing mobile networks and emerging 5G infrastructures.

**HALF-YEAR CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS
AT JUNE 30, 2023
OF THE TIM GROUP**



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HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2023 OF THE TIM GROUP

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	Notes	6/30/2023	of which with related parties	12/31/2022	of which with related parties
Non-current assets					
Intangible assets					
Goodwill	5)	19,202	—	19,111	—
Intangible assets with a finite useful life	6)	7,478	—	7,656	—
		26,680	—	26,767	—
Tangible assets	7)				
Property, plant and equipment owned		14,292	—	14,100	—
Rights of use assets	8)	5,528	37	5,488	38
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	9)	565	—	539	—
Other investments	9)	152	—	116	—
Non-current financial receivables arising from lease contracts	10)	141	91	49	1
Other non-current financial assets	10)	1,159	—	1,602	—
Miscellaneous receivables and other non-current assets	11)	2,467	2	2,365	1
Deferred tax assets		782	—	769	—
		5,266	—	5,440	—
Total Non-current assets	(a)	51,766	—	51,795	—
Current assets					
Inventories		377	—	322	—
Trade and miscellaneous receivables and other current assets	12)	4,676	65	4,539	81
Current income tax receivables		134	—	147	—
Current financial assets	10)				
Current financial receivables arising from lease contracts		94	52	69	11
Securities other than investments, other financial receivables and other current financial assets		1,897	—	1,600	—
Cash and cash equivalents		2,385	—	3,555	—
		4,376	—	5,224	—
Current assets sub-total		9,563	—	10,232	—
Discontinued operations /Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current assets	(b)	9,563	—	10,232	—
Total Assets	(a+b)	61,329	—	62,027	—

Equity and liabilities

(million euros)	Notes	6/30/2023	of which with related parties	12/31/2022	of which with related parties
Equity	13)				
Share capital issued		11,677	—	11,677	—
less: Treasury shares		(57)	—	(63)	—
Share capital		11,620	—	11,614	—
Additional paid-in capital		575	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period		2,233	—	1,314	—
Equity attributable to owners of the Parent		14,428	—	15,061	—
Non-controlling interests		3,836	—	3,664	—
Total Equity		18,264	—	18,725	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	14)	18,806	—	21,739	—
Non-current financial liabilities for lease contracts	14)	4,710	10	4,597	10
Employee benefits	18)	943	—	684	—
Deferred tax liabilities		189	—	84	—
Provisions	19)	844	—	910	—
Miscellaneous payables and other non-current liabilities	20)	1,031	20	1,146	21
Total Non-current liabilities	(d)	26,523		29,160	
Current liabilities					
Current financial liabilities for financing contracts and others	14)	7,497	1	5,039	—
Current financial liabilities for lease contracts	14)	873	4	870	13
Trade and miscellaneous payables and other current liabilities	21)	8,158	137	8,199	149
Current income tax payables		14	—	34	—
Current liabilities sub-total		16,542		14,142	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	(e)	16,542	—	14,142	—
Total Liabilities	(f=d+e)	43,065	—	43,302	—
Total Equity and Liabilities	(c+f)	61,329	—	62,027	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	Notes	1st Half 2023	of which with related parties	1st Half 2022	of which with related parties
Revenues	23)	7,846	164	7,557	57
Other income		109	1	78	2
Total operating revenues and other income		7,955		7,635	
Acquisition of goods and services		(3,579)	(152)	(3,385)	(294)
Employee benefits expenses		(1,711)	(46)	(1,554)	(48)
Other operating expenses		(338)	—	(342)	—
Change in inventories		66	—	35	—
Internally generated assets		277	—	269	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		2,670		2,658	
<i>of which: impact of non-recurring items</i>	30)	<i>(430)</i>		<i>(292)</i>	
Amortization		(2,429)	(3)	(2,295)	(26)
Gains (losses) on disposal of non-current assets		(2)	—	34	—
Impairment reversals (losses) on non-current assets		—	—	—	—
Operating profit (loss) (EBIT)		239		397	
<i>of which: impact of non-recurring items</i>	30)	<i>(428)</i>		<i>(292)</i>	
Share of profits (losses) of associates and joint ventures accounted for using the equity method	9)	(15)	—	31	—
Other income (expenses) from investments		3	—	—	—
Finance income	24)	595	1	773	—
Finance expenses	24)	(1,352)	(2)	(1,459)	(10)
Profit (loss) before tax from continuing operations		(530)		(258)	
<i>of which: impact of non-recurring items</i>	30)	<i>(443)</i>		<i>(295)</i>	
Income tax expense		(143)	—	(102)	—
Profit (loss) from continuing operations		(673)		(360)	
Profit (loss) from Discontinued operations/Non-current assets held for sale		—		—	
Profit (loss) for the period	25)	(673)		(360)	
<i>of which: impact of non-recurring items</i>	30)	<i>(438)</i>		<i>(289)</i>	
Attributable to:					
Owners of the Parent		(813)		(483)	
Non-controlling interests		140		123	

(euros)		1st Half 2023	1st Half 2022
Earnings per share:	26)		
Basic and Diluted Earnings Per Share (EPS)			
Ordinary Share		(0.04)	(0.02)
Savings Share		(0.04)	(0.02)
<i>of which:</i>			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.04)	(0.02)
Savings Share		(0.04)	(0.02)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 13

(million euros)

		1st Half 2023	1st Half 2022
Profit (loss) for the period	(a)	(673)	(360)
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(4)
Income tax effect		—	—
	(b)	3	(4)
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		3	58
Income tax effect		(1)	(14)
	(c)	2	44
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)	5	40
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		13	(88)
Loss (profit) transferred to Separate Consolidated Income Statement		(5)	14
Income tax effect		—	3
	(f)	8	(71)
Hedging instruments:			
Profit (loss) from fair value adjustments		(170)	631
Loss (profit) transferred to Separate Consolidated Income Statement		101	(384)
Income tax effect		17	(59)
	(g)	(52)	188
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		310	715
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	310	715
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)	266	832
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	271	872
Total comprehensive income (loss) for the period	(a+m)	(402)	512
Attributable to:			
Owners of the Parent		(639)	170
Non-controlling interests		237	342

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2022 to June 30, 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	—	—	—	—	—	—	—	—	—	(28)	(28)
Total comprehensive income (loss) for the period	—	—	(75)	188	496	44	—	(483)	170	342	512
Issue of equity instruments	—	—	—	—	—	—	—	4	4	—	4
Other changes	—	—	—	—	—	—	—	2	2	(4)	(2)
Balance at June 30, 2022	11,614	2,133	(26)	60	(2,004)	(86)	—	5,899	17,590	4,935	22,525

Changes from January 1, 2023 to June 30, 2023 Note 13

Equity attributable to owners of the Parent											Non-controlling interests	Total Equity
(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			
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	—	—	—	—	—	—	—	—	—	(68)	(68)	
Total comprehensive income (loss) for the period	—	—	11	(53)	213	3	—	(813)	(639)	237	(402)	
LTI granting of treasury shares	6	—	—	—	—	—	—	(6)	—	—	—	
Other changes	—	(1,558)	—	—	—	—	—	1,564	6	3	9	
Balance at June 30, 2023	11,620	575	(47)	12	(1,872)	(68)	—	4,208	14,428	3,836	18,264	

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)

	Not es	1st Half 2023	1st Half 2022
Cash flows from operating activities:			
Profit (loss) from continuing operations		(673)	(360)
Adjustments for:			
Depreciation and amortization		2,429	2,295
Impairment losses (reversals) on non-current assets (including investments)		(6)	8
Net change in deferred tax assets and liabilities		124	83
Losses (gains) realized on disposals of non-current assets (including investments)		2	(34)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		15	(31)
Change in employee benefits		235	241
Change in inventories		(53)	(37)
Change in trade receivables and other net receivables		126	77
Change in trade payables		(269)	(67)
Net change in income tax receivables/payables		(62)	(62)
Net change in miscellaneous receivables/payables and other assets/liabilities		(135)	380
Cash flows from (used in) operating activities	(a)	1,733	2,493
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(1,973)	(2,589)
Capital grants received		—	3
Acquisition of control of companies or other businesses, net of cash acquired		(24)	(1,183)
Acquisitions/disposals of other investments		(35)	(25)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(123)	768
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		6	2
Cash flows from (used in) investing activities	(b)	(2,149)	(3,024)
Cash flows from financing activities:			
Change in current financial liabilities and other		143	(505)
Proceeds from non-current financial liabilities (including current portion)		1,250	228
Repayments of non-current financial liabilities (including current portion)		(1,970)	(3,635)
Change in hedging and non-hedging derivatives		(124)	(25)
Share capital proceeds/reimbursements (including subsidiaries)		—	7
Dividends paid(*)		(86)	(37)
Changes in ownership interests in consolidated subsidiaries		—	(4)
Cash flows from (used in) financing activities	(c)	(787)	(3,971)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	—	—
Aggregate cash flows	(e=a+b+c+d)	(1,203)	(4,502)
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)	33	(19)
Net cash and cash equivalents at end of the period	(h=e+f+g)	2,385	2,383
(*) of which from related parties		—	—

Purchase of intangible, tangible and rights of use assets

(million euros)	Notes	1st Half 2023	1st Half 2022
Purchase of intangible assets	6)	(440)	(603)
Purchase of tangible assets	7)	(1,254)	(1,277)
Purchase of rights of use assets	8)	(494)	(402)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(2,188)	(2,282)
Change in payables arising from purchase of intangible, tangible and rights of use assets		215	(307)
Total purchases of intangible, tangible and rights of use assets on a cash basis		(1,973)	(2,589)
(*) of which from related parties		13	26

Additional Cash Flow information

(million euros)	1st Half 2023	1st Half 2022
Income taxes (paid) received	(76)	(38)
Interest expense paid	(1,097)	(934)
Interest income received	302	284
Dividends received	7	96

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Half 2023	1st Half 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	2,385	2,391
Bank overdrafts repayable on demand - from continuing operations	—	(8)
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	—	—
	2,385	2,383

The additional disclosures required by IAS 7 are provided in the Note 15 “Net financial debt”.

NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the “**TIM Group**” or 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 Half-Year Condensed Consolidated Financial Statements at June 30, 2023, have been prepared on a going concern basis (further details are provided in Note 2 - “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.

The TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have been prepared in compliance with IAS 34 (Interim Financial Reporting), and as permitted by this standard, do not include the information required for annual consolidated financial statements; accordingly, these financial statements should be read together with the 2022 TIM Group Consolidated Financial Statements.

In the first six months of 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).

For the sake of comparison, data from the statement of financial position at December 31, 2022, the separate consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and changes in consolidated shareholders’ equity for the first half of 2022, are also presented.

The TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2023 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2023 was approved by resolution of the Board of Directors on August 2, 2023.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have undergone a limited scope audit.

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 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 statement of comprehensive income** includes the Profit (loss) for the period 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.

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 were recorded as being in line with and continuing on from the information given in the Consolidated Annual Financial Report at December 31, 2022, are represented for the part relating to the telecommunications business, on the basis of the related geographic location (Domestic and Brazil).

The TIM Group 2022-2024 Industrial Plan launched a Group transformation, confirmed in the 2023-2025 Industrial Plan, 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 detailed economic-financial information available and, on the other, in 2023, 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 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 S.p.A. 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 Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have been prepared on a going concern basis as there is the reasonable expectation that TIM will continue its operational activities 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. More specifically, these risks are tied to the increase in costs 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);
 - the results of legal proceedings and regulatory authorities;
- the optimal mix between risk capital and debt capital as well as the policy for the remuneration of risk capital, as described in the Consolidated Financial Statements at December 31, 2022, in the paragraph on "Share capital information" in the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Consolidated Financial Statements at December 31, 2022, 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.

Accounting policies and principles of consolidation

The accounting policies and principles of consolidation for preparing the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 are the same as those used to prepare the Consolidated Financial Statements at December 31, 2022, to which reference is made, with the exception of :

- amendments to accounting standards issued by the IASB and in force from January 1, 2023, hereinafter described;
- the alignments required by the nature of interim financial reporting.

Moreover, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2023, income taxes for the period of individual consolidated companies were determined based on the best possible estimate in relation to available information and the reasonable forecast of operating performance at the end of the tax period. On a conventional basis, tax liabilities (current and deferred) on income for the period of individual consolidated companies was recognized in the "Deferred tax liabilities" net of advances and tax receivables (only as regards taxes for which a refund was not requested) as well as deferred tax assets; if this balance is positive, it is conventionally recognized under "Deferred tax assets".

Use of accounting estimates

The preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 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 end of the reporting period, as well as the amount of revenues and costs during the period under review. 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.

As regards the most important accounting estimates, reference is made to the Consolidated Financial Statements at December 31, 2022.

New Standards and Interpretations endorsed by the EU and in force since 2023

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2023.

Amendments to IFRS 17 - Insurance contracts: initial application of IFRS 17 and IFRS 9 - Comparative information

On September 8, 2022, Regulation (EU) 2022/1491 was issued, endorsing some changes relating to the presentation of comparative information for financial assets on initial application of IFRS 17 "Insurance contracts".

The amendment adds a transition option that allows an entity to apply an optional classification overlay in the comparative period(s) presented on the initial application of IFRS 17. The overlay allows all financial assets, including those held in relation to assets not connected with contracts within the scope of application of IFRS 17, to be classified, instrument by instrument, in the comparative period(s) so as to align with the way in which the entity expects such assets to be classified for the initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or that will apply it when they apply IFRS 17.

IFRS 17, which incorporates the amendment, will come into force for all financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On March 2, 2022, Regulation (EU) 2022/357 was issued, endorsing some amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, introducing a new definition of "accounting estimates".

In the amended standard, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments clarify what changes in accounting estimates are and how they differ from changes in accounting policies and from error correction.

The changes come into force for financial years starting after January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction

On August 11, 2022, Regulation (EU) 2022/1392 was issued, implementing some amendments to IAS 12 - Income taxes.

The changes clarify how the companies need to record deferred tax on leases and the costs of decommissioning/restoration.

IAS 12 specifies how a company should book income tax, including deferred tax, which represent the amounts of tax payable or recoverable in the future.

The changes in question rule that an entity shall note deferred tax on certain transactions (e.g. leases and decommissioning and restoration expenses) that give rise to temporary taxable and deductible differences of equal amount at the time of initial booking.

According to IAS 12, in specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time.

Following the uncertainty brought about as a result of the fact that the exemption applies to lease contracts and decommissioning/restoration obligations, to allow for the consistent application of the standard, the IASB issued these changes of limited scope.

According to the changes in question, the exemption envisaged by the standard shall not apply to leases and decommissioning/restoration obligations, for which the company must, therefore, record both a deferred tax asset and liability.

The changes will come into force starting January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

Amendments to IAS 1 - Presentation of Financial Statements

On March 2, 2022, Regulation (EU) 2022/357 was issued, endorsing some amendments to IAS 1 - Presentation of Financial Statements, supplying guidelines and examples to help the entities assess the materiality for the purposes of providing a disclosure on accounting policies.

The IASB has also issued amendments to the "IFRS Practice Statement 2 - Making Materiality Judgments (the PS)" to support the changes to IAS 1, explaining and demonstrating application of the "4 step materiality process" to the disclosure on the accounting policies.

In particular, the changes aim to help the entities to provide more useful information on their accounting policies by:

- replacing the provision for the entities to disclose their “significant” accounting policies with the provision for them to disclose their “material” accounting policies; and
- the addition of guidelines on how the entities apply the concept of “materiality” in deciding on the disclosure on the accounting policies.

The changes come into force for financial years starting after January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these Half-Year Condensed Consolidated Financial Statements, the IASB had issued the following new standards / interpretations which have not yet been endorsed by the EU or come into force:

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
Amendments to IAS 7: Statement of Cash Flows and IFRS 7 - Financial Instruments - additional information	1/1/2024
Amendments to IAS 12: Income tax expense: International tax reform - Pillar two model rules	1/1/2023

The potential impacts on the Group consolidated financial statements from application of these standards and interpretations are currently being assessed.

NOTE 3

SCOPE OF CONSOLIDATION

The changes in the scope of consolidation at June 30, 2023 compared to December 31, 2022 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
TS-WAY S.r.l.	New acquisition	Domestic	April 2023
Exit:			
NOOVLE SLOVAKIA S.R.O.	Liquidated	Domestic	March 2023
Mergers:			
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A.	Merged into TIM S.A.	Brazil	April 2023

In addition to the above, changes in the scope of consolidation at June 30, 2023 compared to June 30, 2022 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
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, joint ventures and associates of the TIM Group is as follows:

Companies:	6/30/2023		
	Italy	Outside Italy	Total
subsidiaries consolidated line-by-line	21	44	65
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	35	45	80

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:	6/30/2022		
	Italy	Outside Italy	Total
subsidiaries consolidated line-by-line	21	46	67
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	13	1	14
Total companies	36	47	83

Further details are provided in the Note 34 "List of companies of the TIM Group".

NOTE 4

BUSINESS COMBINATIONS

Acquisition of the control of TS-Way S.r.l.

On April 20, 2023, Telsy S.p.A. (the Italian subsidiary of the TIM Group focused on the cybersecurity sector) acquired 100% of the share capital of TS-Way S.r.l., the Italian company specialized in cyber threat intelligence.

The business combination was recognized in the accounts as follows:

- a consideration of 31 million euros;
- all Assets acquired and Liabilities undertaken of the acquired company were measured for recognition at fair value;
- In addition to the value of the Assets acquired and Liabilities undertaken, temporary Goodwill equal to 29 million euros was recognized, determined as follows:

(million euros)	Provisional values at fair value	
Valuation of the consideration	(a)	31
Value of assets acquired	(b)	4
Value of liabilities undertaken	(c)	(2)
Goodwill	(a-b-c)	29

TS-Way S.r.l. – values at acquisition date

(million euros)		Present values at fair value	Carrying amounts
Goodwill		—	—
Other non-current assets		—	—
Current assets		4	4
<i>of which Cash and cash equivalents</i>		1	1
Total assets	(a)	4	4
Total non-current liabilities		—	—
<i>Of which Non-current financial liabilities</i>		—	—
Total current liabilities		2	2
<i>Of which Current financial liabilities</i>		—	—
Total liabilities	(b)	2	2
Net assets	(a-b)	2	2

During 2023 – and in any case within the 12 months following the transaction – the provisional amounts of the assets and liabilities recognized at the date of acquisition may be adjusted retroactively, as permitted by IFRS 3, with consequent redetermination of the value of goodwill.

It is noted that if the acquisition of TS-Way S.r.l. had been completed at January 1, 2023, the TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2023 would not have recorded any material impact on the revenues and net period result attributable to the Owners of the Parent.

NOTE 5

GOODWILL

During the first half of 2023 the item shows the following breakdown and changes:

(million euros)	12/31/2022	Increase	Decrease	Impairments	Exchange differences	6/30/2023
Domestic	18,134	29				18,163
Brazil	977				62	1,039
Other Operations	—					—
Total	19,111	29	—	—	62	19,202

In the first half of 2023, Goodwill increased by 91 million euros, from 19,111 million euros at the end of 2022 to 19,202 million euros at June 30, 2023.

In particular:

- the Goodwill of the Domestic Cash Generating Unit rose by 29 million euros, almost entirely in connection with the acquisition of control over TS-Way S.r.l.. For more details, see Note 4 "Business combinations";
- the Goodwill of the Brazil Cash Generating Unit recorded exchange gains for 62 million euros (the spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) went from 5.56520 at December 31, 2022 to 5.23654 at June 30, 2023).

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. If specific events or circumstances occur (trigger events) that may indicate an impairment of goodwill, impairment testing is also carried out when preparing the interim financial statements.

In accordance with the corporate procedures, in preparation of the half-year report at June 30, 2023, the company carried out an impairment test on goodwill.

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 June 30, 2023, 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, 2022 - 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 June 30, 2023.

The values are expressed in local currency, and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For this latter 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 and taking into account the performance in the first half of 2023: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at 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	6.120 %
WACC before tax	7.857 %
Growth rate beyond the explicit period (g)	0.996 %
Capitalization rate after tax (WACC-g)	5.124 %
Capitalization rate before tax (WACC-g)	6.861 %
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 2,143 million euros.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	+2,143	+1,263

Therefore, in light of all the foregoing, at June 30, 2023 the Goodwill values recognized in the financial statements relating to the Domestic CGU (positive difference of + 2,143 million euros) and the Brazil CGU (positive difference of + 1,263 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, a 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 1.17%; or
- a 0.28% rise in the WACC (at the value of 6.40%); or
- a growth rate of income in terminal value of 0.68%;

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 -18.83%.

The second level impairment test revealed a recoverable amount that exceeded the carrying amount of the Group's business as a whole, thereby not showing any need for impairment.

NOTE 6

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

These show the following breakdown and changes:

(million euros)	12/31/2022	Investments	Depreciation and amortization	Impairment (losses)/reversals	Disposals	Exchange differences	Capitalized finance expenses	Other changes	6/30/2023
Industrial patents and intellectual property rights	1,985	291	(521)		(1)	27		238	2,019
Concessions, licenses, trademarks and similar rights	4,643	7	(239)			104		532	5,047
Other intangible assets	45		(5)			3			43
Work in progress and advance payments	983	142			(1)	9	17	(781)	369
Total	7,656	440	(765)	—	(2)	143	17	(11)	7,478

Investments for the first half of 2023 include 115 million euros of internally generated assets (118 million euros in the first half of 2022).

Industrial patents and intellectual property rights at June 30, 2023, essentially consist of the plant operation and application software purchased outright and user license, relating mainly to TIM S.p.A. (1,338 million euros), the Brazil Business Unit (463 million euros) and Noovle S.p.A. (126 million euros).

Concessions, licenses, trademarks and similar rights at June 30, 2023 mainly refer to the residual cost of telephone licenses and similar rights (3,165 million euros for TIM S.p.A. and 1,879 million euros for the Brazil Business Unit). During the first half of 2023, the commissioning is noted in particular of the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit and the extension, through to December 31, 2029, of the rights of use of the 28 GHz band of the Parent Company TIM S.p.A..

Work in progress and advance payments mainly relate to the Parent Company (286 million euros) and the Brazil Business Unit (28 million euros) and refer to software developments and investments for the digital evolution of network infrastructures. The reduction seen during the first half of 2023 is mainly linked to the commissioning, including that of the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit (522 million euros). For the latter, as the time period required for the assets to be ready for use is more than 12 months, in the first half of 2023, the related finance expenses of 17 million euros were capitalized. The capitalized finance expenses have been deducted directly from "finance expense".

NOTE 7

TANGIBLE ASSETS

Property, plant and equipment owned

These show the following breakdown and changes:

(million euros)	12/31/2022	Investments	Depreciation and amortization	Impairment (losses)/reversals	Disposals	Exchange differences	Other changes	6/30/2023
Land	232				(1)	1		232
Buildings (civil and industrial)	651	2	(19)		(1)	1	7	641
Plant and equipment	12,002	843	(1,069)		(21)	123	362	12,240
Manufacturing and distribution equipment	20	2	(4)				1	19
Other	362	43	(77)			7	16	351
Construction in progress and advance payments	833	364			(1)	4	(391)	809
Total	14,100	1,254	(1,169)	—	(24)	136	(5)	14,292

Investments for the first half of 2023 include 162 million euros of internally generated assets (151 million euros in the first half of 2022).

Land comprises both built-up land and available land and is not subject to depreciation. The figure at June 30, 2023 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 figure at June 30, 2023 is mainly attributable to TIM S.p.A. (415 million euros) and Noovle S.p.A. (200 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 June 30, 2023 is mainly attributable to TIM S.p.A. (5,443 million euros), to FiberCop S.p.A. (4,257 million euros) and to the Brazil Business Unit (2,143 million euros), to the Telecom Italia Sparkle group (233 million euros) and Noovle S.p.A. (160 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.

NOTE 8

RIGHTS OF USE ASSETS

These show the following breakdown and changes:

(million euros)	12/31/2022	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	6/30/2023
Property	2,967	4	249	(221)	(16)	38	(20)	3,001
Plant and equipment	2,370	9	198	(254)	(16)	86	(22)	2,371
Other tangible assets	102		12	(19)	(1)		1	95
Construction in progress and advance payments	35	6					(9)	32
Intangible assets	14	16		(1)				29
Total	5,488	35	459	(495)	(33)	124	(50)	5,528

Capital expenditures in the first half of 2023 refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity as well as improvements and incremental expenses incurred on leased property and non-property assets.

Increases in lease contracts, equal to 459 million euros, refer in particular to the Brazil Business Unit (320 million euros) and the Domestic Business Unit (139 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.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes mainly refer to the lower value of the rights of use recorded as a result of contractual changes during the period and also include transfers during the year.

Property includes buildings and land under passive leases and the related building adaptations, essentially attributable to the Domestic Business Unit (2,331 million euros) and the Brazil Business Unit (670 million euros).

Plant and equipment mainly includes rights of use on infrastructures for telecommunications services. They refer to the Brazil Business Unit, for 1,450 million euros, and to the Domestic Business Unit for 921 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 (12 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** mainly includes the rights of use of Telecom Italia Sparkle on the spectrum of transmission frequencies on optic fiber carriers not illuminated by an undersea cable.

NOTE 9

INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method are reported below in detail.

(million euros)	6/30/2023	12/31/2022
I-Systems S.A.	286	277
Daphne 3 S.p.A.	208	212
Italtel S.p.A.	8	9
NordCom S.p.A.	7	6
W.A.Y. S.r.l.	3	4
QTI S.r.l.	2	3
Other	2	2
Total Associates	(a) 516	513
TIMFin S.p.A.	31	21
Polo Strategico Nazionale S.p.A.	18	5
Total Joint Ventures	(b) 49	26
Total investments accounted for using the equity method	(a+b) 565	539

The changes to the item **Investments in associates and joint ventures accounted for using the equity method** during the first half of 2023, are as follows:

(million euros)	12/31/2022	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	6/30/2023
I-Systems S.A.	277			(8)	17	286
Daphne 3 S.p.A.	212			(4)		208
Italtel S.p.A.	9			(1)		8
NordCom S.p.A.	6			1		7
W.A.Y. S.r.l.	4			(1)		3
QTI S.r.l.	3			(1)		2
Other	2					2
Total Associates	513	—	—	(14)	17	516
TIMFin S.p.A.	21	10				31
Polo Strategico Nazionale S.p.A.	5	19		(6)		18
Total Joint Ventures	26	29	—	(6)	—	49
Total investments accounted for using the equity method	539	29	—	(20)	17	565

The investments of the first half of 2023 mainly include the recapitalization of Polo Strategico Nazionale S.p.A. (19 million euros) and TIMFin S.p.A. (10 million euros).

The adjustment of Daphne 3 relates to the dividend resolved by the company in April 2023 and collected by the Parent Company TIM S.p.A. in May 2023.

“Other changes” include 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 34 “List of companies of the TIM Group”.

Other investments refer to the following:

(million euros)	6/30/2023	12/31/2022
SECO S.p.A.	52	56
Banco C6 S.A.	31	—
Fin.Priv. S.r.l.	24	20
Northgate Telecom Innovations Partners L.P.	16	16
UV T-Growth	16	11
Other	13	13
Total	152	116

At June 30, 2023, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 3.2 million USD, equal to approximately 2.9 million euros at the exchange rate as at June 30, 2023;
- of the UV T-Growth fund in the amount of 42.8 million euros.

As permitted by IFRS 9, TIM now measures Other Investments mainly at “fair value through other comprehensive income (FVTOCI)”.

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL ASSETS

Non-current and current financial assets were broken down as follows:

(million euros)	6/30/2023	12/31/2022
Other non-current financial assets		
Securities other than investments	—	—
Receivables from employees	38	39
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1,014	1,435
Non-hedging derivatives	96	119
Other financial receivables	11	9
	1,159	1,602
Financial receivables for lease contracts	141	49
Total non-current financial assets	(a) 1,300	1,651
Securities other than investments, other financial receivables and other current financial assets		
Securities other than investments		
Measured at amortized cost (AC)	—	—
Measured at fair value through other comprehensive income (FVTOCI)	1,426	1,040
Measured at fair value through profit or loss (FVTPL)	52	406
	1,478	1,446
Financial receivables and other current financial assets		
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)	—	—
Receivables from employees	29	21
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	337	84
Non-hedging derivatives	50	47
Other short-term financial receivables	3	2
	419	154
	(b) 1,897	1,600
Financial receivables for lease contracts	(c) 94	69
Cash and cash equivalents	(d) 2,385	3,555
Total current financial assets	e=(b+c+d) 4,376	5,224
Financial assets relating to Discontinued operations/Non-current assets held for sale	(f) —	—
Total non-current and current financial assets	g=(a+e+f) 5,676	6,875

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 and current financial assets/liabilities include the components of the mark-to-market spot valuation component of the hedging derivatives and the 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 92 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 16 “Derivatives”.

Securities other than investments included in current financial assets relate to:

- 1,426 million euros of listed securities, of which 920 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 506 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;
- 52 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.

On February 14 and 16, 2023, the 98 million BTP 3/1/2023 approaching maturity were replaced with 97.8 million BTP 1/15/2026, respectively under the scope of securities lending between TIM S.p.A. and Telecom Italia Finance S.A. and between TIM S.p.A. and NatWest.

On May 8, 2023, the securities lending in place with Telecom Italia Finance S.A. was terminated early and replaced by a new loan valid through to October 1, 2026 and concerning 40 million BTP 12/1/2026; from May 9, 2023, TIM S.p.A. terminated the loan in place with NatWest early and granted such security on loan until October 2026.

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 2,385 million euros, a decrease of 3,349 million euros compared to December 31, 2021 and were broken down as follows:

(million euros)	6/30/2023	12/31/2022
Liquid assets with banks, financial institutions and post offices	1,790	2,622
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	595	933
Total	2,385	3,555

The different technical forms of use of available cash at June 30, 2023 had the following characteristics:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating class of at least BBB- and non-negative outlook 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 595 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.

NOTE 11

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

Details are as follows:

(million euros)		6/30/2023	12/31/2022
Miscellaneous receivables (non-current)	(a)	677	560
Other non-current assets			
Deferred contract costs		1,665	1,702
Other deferred costs		125	103
	(b)	1,790	1,805
Total	(a+b)	2,467	2,365

Miscellaneous receivables (non-current) totaled 677 million euros (560 million euros at December 31, 2022) and included Non-current income tax receivables of 191 million euros (124 million euros at December 31, 2022).

This item was mainly due to the Brazil Business Unit (632 million euros; 516 million euros at December 31, 2022).

More specifically, at June 30, 2023, the Brazil Business Unit had non-current receivables relating to:

- court deposits for 272 million euros (248 million euros at December 31, 2022) including the deposit, equal to 140 million euros at June 30, 2023, requested in October 2022 of the Brazilian company TIM S.A. as buyer of part of the mobile assets of the Oi Group. Further details are provided in the Consolidated Financial Statements at December 31, 2022 of the TIM Group;
- indirect tax for 184 million euros (153 million euros at December 31, 2022);
- direct tax for 160 million euros (93 million euros at December 31, 2022).

Other non-current assets amounted to 1,790 million euros (1,805 million euros at December 31, 2022). They mainly break down as follows:

- **Deferred contract costs** of 1,665 million euros (1,702 million euros at December 31, 2022), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contractual costs (mainly technical activation costs and commissions for the sales network) were deferred and charged to the separate consolidated income statement 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 2,235 million euros (2,271 million euros at December 31, 2022) and break down as follows:

(million euros)	6/30/2023	12/31/2022
Deferred contract costs		
Non-current deferred contract costs	1,665	1,702
Current deferred contract costs	570	569
Total	2,235	2,271

(million euros)	6/30/2023	12/31/2022
Deferred contract costs		
Contract acquisition costs	1,260	1,262
Contract execution costs	975	1,009
Total	2,235	2,271

Deferred contract costs will be recognized in the income statements for future years and, in particular, for approximately 300 million euros in the second half of 2023 and for approximately 551 million euros in 2024, based on the amount at June 30, 2023 and without taking into account the new deferred portions.

(million euros)	6/30/2023	period of recognition in the income statement					
		2nd Half 2023	Year 2024	Year 2025	Year 2026	Year 2027	After 2027
Contract acquisition costs	1,260	193	321	248	182	124	192
Contract execution costs	975	107	230	193	150	114	181
Total	2,235	300	551	441	332	238	373

- **Other deferred costs** of 125 million euros, mainly attributable to the Parent Company (58 million euros) and the companies of the Telecom Italia Sparkle group (49 million euros).

NOTE 12

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

These break down as follows:

(million euros)	6/30/2023	12/31/2022
Trade receivables		
Receivables from customers	1,539	1,586
Receivables from other telecommunications operators	1,268	1,288
(a)	2,807	2,874
Miscellaneous receivables (current)		
Other receivables	(b) 680	689
Other current assets		
Contract assets	17	17
Deferred contract costs	571	569
Other deferred costs	551	337
Other	50	53
(c)	1,189	976
Total	(a+b+c) 4,676	4,539

Trade receivables at June 30, 2023 amounted to 2,807 million euros (2,874 million euros at December 31, 2022) and are stated net of the provision for bad debts of 483 million euros (499 million euros at December 31, 2022). They included 13 million euros (12 million euros at December 31, 2022) of medium/long-term receivables mainly relating to agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables mainly related to TIM S.p.A. (1,771 million euros) and to the Brazil Business Unit (722 million euros).

Miscellaneous receivables (current) refer to other receivables amounting to 680 million euros (689 million euros at December 31, 2022) and are net of a provision for bad debts of 41 million euros (41 million euros at December 31, 2022). Details are as follows:

(million euros)	6/30/2023	12/31/2022
Advances to suppliers	304	282
Receivables from employees	16	10
Tax receivables	126	152
Receivables for grants from the government and public entities	11	11
Sundry receivables	223	234
Total	680	689

Tax receivables mainly related to the Brazil Business Unit (104 million euros) and the Domestic Business Unit (21 million euros).

Receivables for grants from the government and public entities (11 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 (26 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (27 million euros);
- TIM S.p.A. receivables from social security and pension institutions (18 million euros).

Other current assets include:

- **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 June 30, 2023 amounted to 17 million euros (unchanged compared with December 31, 2022) and were net of the related write-down provision of 1 million euros;
- **Deferred contract costs** amount to 571 million euros (569 million euros at December 31, 2022) and 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 (around 4 years for the mobile business and around 8 years for the fixed-line

business). Further details on Deferred contract costs are provided in the Note 11 “Miscellaneous receivables and other non-current assets”.

■ **Other deferred costs** mainly concern:

- the Parent Company essentially for deferral of: a) costs related to rental charges and other lease and rental costs (298 million euros); b) costs for the purchase of products and services (66 million euros); c) after-sales expenses on application offers (45 million euros); d) maintenance fees (9 million euros); e) insurance premiums (13 million euros);
- the Telecom Italia Sparkle group mainly related to the deferral of costs connected to costs for transmission capacity and maintenance fees (18 million euros);
- the Brazil Business Unit (63 million euros), including the deferral of service costs.

NOTE 13

EQUITY

This item consisted of:
(million euros)

	6/30/2023	12/31/2022
Equity attributable to owners of the Parent	14,428	15,061
Non-controlling interests	3,836	3,664
Total	18,264	18,725

The breakdown of **Equity attributable to Owners of the Parent** is provided below:

(million euros)	6/30/2023	12/31/2022
Share capital	11,620	11,614
Additional paid-in capital	575	2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	2,233	1,314
Reserve for financial assets measured at fair value through other comprehensive income	(47)	(58)
Reserve for hedging instruments	12	65
Reserve for exchange differences on translating foreign operations	(1,872)	(2,085)
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(68)	(71)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	—	—
Other reserves and retained earnings, including profit (loss) for the period	4,208	3,463
Total	14,428	15,061

In accordance with the resolution passed by the Shareholders' Meeting on April 20, 2023, the loss booked for 2022, resulting from the financial statements of the Parent Company TIM S.p.A. (3,077 million euros) has been covered by using reserves.

At June 30, 2023, capital came to 11,620 million euros, net of treasury shares for 57 million euros. Capital rose by 6 million euros following the assignment of treasury shares in execution of the first cycle of the 2020-2022 Long Term Incentive Plan.

Movements in share capital during the first half of 2023 are shown in the tables below:

Reconciliation between the number of shares outstanding at December 31, 2022 and June 30, 2023

(number of shares)		as at 12/31/2022	Share assignment/issue	as at 6/30/2023	% on Capital
Ordinary shares issued	(a)	15,329,466,496	—	15,329,466,496	71.78
less: treasury shares	(b)	(115,942,196)	10,879,774	(105,062,422)	
Ordinary shares outstanding	(c)	15,213,524,300	10,879,774	15,224,404,074	
Savings shares issued and outstanding	(d)	6,027,791,699	—	6,027,791,699	28.22
Total TIM S.p.A. shares issued	(a+d)	21,357,258,195	—	21,357,258,195	100.00
Total TIM S.p.A. shares outstanding	(c+d)	21,241,315,999	10,879,774	21,252,195,773	

Reconciliation between the value of shares outstanding at December 31, 2022 and June 30, 2023

(million euros)		Share Capital at 12/31/2022	Changes in share capital	Share Capital at 6/30/2023
Ordinary shares issued	(a)	8,381	—	8,381
less: treasury shares	(b)	(63)	6	(57)
Ordinary shares outstanding	(c)	8,318	6	8,324
Savings shares issued and outstanding	(d)	3,296	—	3,296
Total TIM S.p.A. share capital issued	(a+d)	11,677	—	11,677
Total TIM S.p.A. share capital outstanding	(c+d)	11,614	6	11,620

Future potential changes in share capital

Details of "Future potential changes in share capital" are presented in the Note 26 "Earnings per share".

NOTE 14

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities (gross financial debt) are broken down as follows:

(million euros)	6/30/2023	12/31/2022
Non-current financial liabilities for financing contracts and others		
Financial payables (medium/long-term):		
Bonds	13,051	15,259
Amounts due to banks	5,165	5,898
Other financial payables	308	305
	18,524	21,462
Other medium/long-term financial liabilities:		
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	264	234
Non-hedging derivatives	15	43
Other liabilities	3	—
	282	277
	(a) 18,806	21,739
Non-current financial liabilities for lease contracts	(b) 4,710	4,597
Total non-current financial liabilities	c=(a+b) 23,516	26,336
Current financial liabilities for financing contracts and others		
Short-term financial payables:		
Bonds	4,638	2,799
Amounts due to banks	2,550	1,766
Other financial payables	146	195
	7,334	4,760
Other financial liabilities (short-term):		
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	66	193
Non-hedging derivatives	96	86
Other liabilities	1	—
	163	279
	(d) 7,497	5,039
Current financial liabilities for lease contracts	(e) 873	870
Total current financial liabilities	f=(d+e) 8,370	5,909
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	(g) —	—
Total Financial liabilities (Gross financial debt)	h=(c+f+g) 31,886	32,245

Gross financial debt according to the original currency of the transaction is as follows:

	6/30/2023		12/31/2022	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,890	5,421	5,901	5,532
GBP	—	—	389	439
BRL	17,629	3,367	17,348	3,117
YEN	20,030	127	20,030	142
ILS	48	12	49	13
EUROS		22,959		23,002
Total		31,886		32,245

For the exchange rates used for the conversion of amounts in foreign currency, see the Note 32 "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)	6/30/2023	12/31/2022
Up to 2.5%	4,493	5,873
From 2.5% to 5%	13,302	13,469
From 5% to 7.5%	8,115	6,920
From 7.5% to 10%	2,003	2,024
Over 10%	3,026	2,748
Accruals/deferrals, MTM and derivatives	947	1,211
Total	31,886	32,245

Following the use of hedging instruments, on the other hand, gross financial debt by nominal interest rate level is:

(million euros)	6/30/2023	12/31/2022
Up to 2.5%	5,413	8,416
From 2.5% to 5%	13,614	13,168
From 5% to 7.5%	7,238	5,039
From 7.5% to 10%	1,180	1,192
Over 10%	3,494	3,219
Accruals/deferrals, MTM and derivatives	947	1,211
Total	31,886	32,245

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount:

(million euros)	maturing by 6/30 of the year:						Total
	2024	2025	2026	2027	2028	After 2028	
Bonds	4,380	1,000	2,750	—	2,806	6,366	17,302
Loans and other financial liabilities	1,159	582	1,149	1,576	721	853	6,040
Finance lease liabilities	806	719	591	566	544	2,290	5,516
Total	6,345	2,301	4,490	2,142	4,071	9,509	28,858
Current financial liabilities	1,253	—	—	—	—	—	1,253
Total	7,598	2,301	4,490	2,142	4,071	9,509	30,111

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	6/30/2023	12/31/2022
Non-current portion	13,051	15,259
Current portion	4,638	2,799
Total carrying amount	17,689	18,058
Fair value adjustment and measurements at amortized cost	(387)	(506)
Total nominal repayment amount	17,302	17,552

The nominal value of bonds totaled 17,302 million euros, down by 250 million euros compared to December 31, 2022 (17,552 million euros) following the performance of new issues/repayments made during the period.

The change in bonds in the first half 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
TIM S.p.A. 400 million euros 6.875%	Euro	400	4/12/2023
(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 1,000 million euros 3.25%	Euro	1,000	1/16/2023
Telecom Italia S.p.A. 375 million GBP 5.875% (a)	GBP	375	5/19/2023

(a) Net of 25 million GBP bought back in June 2016.

Note that:

- on July 12, 2023, TIM S.p.A. successfully listed a bond for an amount of 750 million euros, coupon 7.875%, due July 31, 2028;
- at the settlement date of July 20, 2023, TIM bought back for cash a portion of the bonds “EUR 750,000,000 3.625 per cent Fixed Rate Notes due 19 January 2024” and “EUR 1,250,000,000 4.000 per cent Fixed Rate Notes due 11 April 2024”, for a total nominal amount of 600 million euros (300 million euros each). Once bought back, the loans were canceled.

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 6/30/2023 (%)	Market value at 6/30/2023 (million euros)
Bonds issued by TIM S.p.A.								
Euro	1,000	1,000	2.500%	1/19/2017	7/19/2023	99.288	99.921	999
Euro	750	750	3.625%	1/20/2016	1/19/2024	99.632	99.156	744
Euro	1,250	1,250	4.000%	1/11/2019	4/11/2024	99.436	98.824	1,235
USD	1,500	1,380	5.303%	5/30/2014	5/30/2024	100	97.418	1,345
Euro	1,000	1,000	2.750%	4/15/2019	4/15/2025	99.320	94.559	946
Euro	1,000	1,000	3.000%	9/30/2016	9/30/2025	99.806	94.534	945
Euro	750	750	2.875%	6/28/2018	1/28/2026	100	93.431	701
Euro	1,000	1,000	3.625%	5/25/2016	5/25/2026	100	94.439	944
Euro	1,250	1,250	2.375%	10/12/2017	10/12/2027	99.185	85.435	1,068
Euro	850	850	6.875%	1/27/2023	2/15/2028	100	99.854	849
Euro	400	400	6.875%	4/12/2023	2/15/2028	100.750	99.854	399
Euro	1,000	1,000	1.625%	1/18/2021	1/18/2029	99.074	77.034	770
Euro	670	670	5.250%	3/17/2005	3/17/2055	99.667	77.146	517
Subtotal		12,300						11,462
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	104.778	1,063
Subtotal		1,015						1,063
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,0	920.3	6.375%	10/29/2003	11/15/2033	99.558	84.815	781
USD	1,0	920.3	6.000%	10/06/2004	9/30/2034	99.081	80.666	742
USD	1,0	920.3	7.200%	7/18/2006	7/18/2036	99.440	86.144	793
USD	1,0	920.3	7.721%	6/04/2008	6/04/2038	100	88.349	813
Subtotal		3,681						3,129
Bonds issued by TIM S.A.								
BRL	1,600	306	IPCA+4.1682%	6/15/2021	6/15/2028	100	100	306
Subtotal		306						306
Total		17,302						15,960

(a) Weighted average issue price for bonds issued with more than one tranche.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

Medium/long-term amounts **due to banks** totaled 5,165 million euros (5,898 million euros at December 31, 2022). Short-term amounts due to banks totaled 2,550 million euros (1,766 million euros at December 31, 2022) and included 1,435 million euros of the current portion of medium/long-term amounts due to banks and 803 million euros in repurchase agreements due by June 2024.

The other medium/long-term **financial payables** totaled 308 million euros (305 million euros at December 31, 2022), 125 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 146 million euros (195 million euros at December 31, 2022) and included 21 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **financial lease liabilities** amounted to 4,710 million euros (4,597 million euros at December 31, 2022), whilst short-term payables totaled 873 million euros (870 million euros at December 31, 2022) and included 854 million euros in the current portion of medium/long-term financial liabilities for lease contracts.

With reference to the financial lease liabilities recognized in the first half of 2023 and 2022, the following is noted:

(million euros)	1st Half 2023	1st Half 2022
Principal reimbursements	372	341
Cash out interest portion	197	156
Total	569	497

Hedging derivatives relating to items classified as non-current financial liabilities amount to 264 million euros (234 million euros at December 31, 2022). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 66 million euros (193 million euros at December 31, 2022).

Non-hedging derivatives classified as non-current financial liabilities came to 15 million euros (43 million euros at December 31, 2022), while non-hedging derivatives classified under current financial liabilities amounted to 96 million euros (86 million euros at December 31, 2022). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

Covenants and negative pledges in place at June 30, 2023

Bonds issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relating to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since these bonds have been placed principally with institutional investors in main world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets.

Regarding loans taken out by TIM from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros. These loans are currently partially guaranteed.

In addition, on May 5, 2023, TIM signed a new loan with the EIB for an amount of 360 million euros, partly backed by SACE.

Therefore, at June 30, 2023 the nominal total of outstanding loans with the EIB was 1,060 million euros.

The EIB loans contain, *inter alia*, the following covenants and commitments:

- in the event the company becomes the target of a merger, demerger or conferral of a business segment outside the TIM Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan agreements, the EIB shall have the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the TIM Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the TIM Group companies other than TIM – except for the cases when that debt is fully and irrevocably secured by TIM – is lower than 35% (thirty-five percent) of the TIM Group's total financial debt;
- "Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;

- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan agreement or choose an alternative solution.

Some TIM loan agreements contain financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the loan in place, except for 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 June 30, 2023, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility and Term Loan

The following table shows committed credit lines^(*) available at June 30, 2023:

(billion euros)	6/30/2023		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).

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, fully drawn down.

Rating at June 30, 2023

At June 30, 2023, 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 15

NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at June 30, 2023 and December 31, 2022, determined in accordance with the provisions of the “Guidelines on disclosure requirements under the Prospectus Regulation” issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.

This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		6/30/2023	12/31/2022
Liquid assets with banks, financial institutions and post offices	(a)	1,790	2,622
Other cash and cash equivalents	(b)	595	933
Securities other than investments	(c)	1,478	1,446
Liquidity	(d=a+b+c)	3,863	5,001
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,261	1,115
Current portion of non-current financial debt	(f)	6,722	4,663
Current financial debt	(g=e+f)	7,983	5,778
Net current financial debt	(h=g-d)	4,120	777
Non-current financial debt (excluding the current part and debt instruments)	(i)	9,355	9,523
Debt instruments	(j)	13,051	15,259
Trade payables and other non-current debt	(k)	85	117
Non-current financial debt	(l=i+j+k)	22,491	24,899
Total net financial debt as per ESMA guidelines 32-382-1138	(m=h+l)	26,611	25,676
Trade payables and other non-current debt		(85)	(117)
Non-current financial receivables arising from lease contracts		(141)	(49)
Current financial receivables arising from lease contracts		(94)	(69)
Financial receivables and other current financial assets		(32)	(23)
Other financial receivables and other non-current financial assets		(49)	(48)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	(n)	(401)	(306)
Net financial debt carrying amount (*)	(p=m+n)	26,210	25,370
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(47)	(6)
Adjusted Net Financial Debt	(r=p+q)	26,163	25,364

(*) 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”.

Additional cash flow information required by IAS 7

		Cash movements			Non-cash movements			
(million euros)	12/31/2022	Receipts and/or issues	Payments and/or reimburse- ments	Exchange differences	Fair value changes	Other changes and reclassifi- cations	6/30/2023	
Financial payables (medium/long-term):								
Bonds	18,058	1,250	(1,432)	(65)	(18)	(104)	17,689	
Amounts due to banks	6,743		(166)	9		14	6,600	
Other financial payables	324			(4)		9	329	
	(a) 25,125	1,250	(1,598)	(60)	(18)	(81)	24,618	
of which short-term	3,663						6,094	
Medium/long-term finance lease liabilities:								
	5,453	239	(372)	147		97	5,564	
	(b) 5,453	239	(372)	147	—	97	5,564	
of which short-term	856						854	
Other medium/long-term financial liabilities:								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature				(143)				
	427				41	5	330	
Non-hedging derivative liabilities	125			12	(32)	5	110	
Other liabilities	—					3	3	
	(c) 552	—	—	(131)	9	13	443	
of which short-term	275						161	
Short-term financial payables:								
Amounts due to banks	921					194	1,115	
Other financial payables	194			(4)	1	(45)	146	
	(d) 1,115	—	—	(4)	1	149	1,261	
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:								
	—						—	
	(e) —	—	—	—	—	—	—	
Total Financial liabilities (Gross financial debt)								
	(f=a+b+c+d+e) 32,245	1,489	(1,970)	(48)	(8)	178	31,886	
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature				(125)		(15)		
	(g) 1,519				(28)		1,351	
Non-hedging derivative receivables	(h) 166			(15)	(21)	16	146	
Total	(i=f-g-h) 30,560	1,489	(1,970)	92	41	177	30,389	

The change in short-term bank payables (194 million euros) is a monetary movement mainly due to the opening/closing of Repurchased credit agreements and bank credit lines.

The value of the paid and collected interest expense reported in the Statement of Cash Flows takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(million euros)	1st Half 2023	1st Half 2022
Interest expense paid	(1,097)	(934)
Interest income received	302	284
Net total	(795)	(650)

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)	1st Half 2023	1st Half 2022
Interest expense paid	(875)	(740)
Interest income received	80	90
Net total	(795)	(650)

NOTE 16

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 June 30, 2023 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.

The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

The following tables break down the 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 6/30/2023	Notional amount at 12/31/2022	Mark to Market Spot* (Clean Price) at 6/30/2023	Spot Mark-to- Market* (Clean Price) at 12/31/2022
Interest rate swaps	Interest rate risk	—	300	—	—
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		—	300	—	—
Interest rate swaps	Interest rate risk	4,521	4,994	192	249
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	4,618	5,184	776	770
Total Cash Flow Hedge Derivatives		9,139	10,178	968	1,019
Total Non-Hedge Accounting Derivatives		1,999	2,638	10	23
Total TIM Group's Derivatives		11,138	13,116	978	1,042

* The Spot Mark-to-Market above represents the market valuation of the derivative, net of the accrued portion of the flow in progress.

NOTE 17

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

The fair value measurement of the financial instruments of the Group has been classified in the 3 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 next tables present some additional information on financial instruments, including the table on hierarchy levels for each financial asset/liability class measured at fair value at June 30, 2023.

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.

Hierarchy levels for each class of financial asset/liability measured at fair value at 6/30/2023

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 6/30/2023	Levels of hierarchy		
				Level 1 (*)	Level 2 (*)	Level 3 (*)
ASSETS						
Non-current assets						
Other investments						
	FVTOCI	(9)	121	52	24	45
	FVTPL	(9)	31	—	31	—
Securities, financial receivables and other non-current financial assets						
of which securities	FVTOCI	(10)	—	—		
of which hedging derivatives	HD	(10)	1,014		1,014	
of which non-hedging derivatives	FVTPL	(10)	96		96	
(a)			1,262	52	1,165	45
Current assets						
Securities						
Measured at fair value through other comprehensive income (FVTOCI)	FVTOCI	(10)	1,426	1,426		
Measured at fair value through profit or loss (FVTPL)	FVTPL	(10)	52	52		
Financial receivables and other current financial assets						
of which hedging derivatives	HD	(10)	337		337	
of which non-hedging derivatives	FVTPL	(10)	50		50	
(b)			1,865	1,478	387	—
Total	(a+b)		3,127	1,530	1,552	45
LIABILITIES						
Non-current liabilities						
of which hedging derivatives	HD	(15)	264		264	
of which non-hedging derivatives	FVTPL	(15)	15		—	15
(c)			279	—	264	15
Current liabilities						
of which hedging derivatives	HD	(15)	66		66	
of which non-hedging derivatives	FVTPL	(15)	96		96	
(d)			162	—	162	—
Total	(c+d)		441	—	426	15

(*) Level 1: corresponds to 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.

During the first half of 2023 there were no transfers between different hierarchy levels of financial assets and liabilities measured at fair value.

NOTE 18

EMPLOYEE BENEFITS

Details are as follows:

(million euros)	12/31/2022	Increases/ Present value	Decrease	Exchange differences and other changes	6/30/2023	
Provision for employee severance indemnities	(a)	553	4	(4)	1	554
Provision for pension and other plans	16	—	(1)	—		15
Provision for termination benefit incentives and corporate restructuring	223	312	(71)	(2)		462
Total other employee benefits	(b)	239	312	(72)	(2)	477
Total	(a+b)	792	316	(76)	(1)	1,031
<i>of which:</i>						
non-current portion	684					943
current portion (*)	108					88

(*) The current portion refers only to Other employee benefits.

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and increased by 1 million euros compared with December 31, 2022. The decrease of 4 million euros refers to uses in the period for employees who terminated employment or for advances.

The change recorded in “Increases/Present value” is as follows:

(million euros)	1st Half 2023	1st Half 2022
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	7	3
Net actuarial (gains) losses for the period	(3)	(58)
Total	4	(55)
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.

Net actuarial gains for 3 million euros during the first half of 2023 (net actuarial gains for 58 million euros during the first half of 2022) are essentially linked to both staff turnover and changes to the technical-economic parameters used in the valuation. The inflation rate has remained unchanged with respect to the value at December 2022 (2.30%) while the discount rate increased, going from the 3.63% used at December 31, 2022 to 3.67% at June 30, 2023.

Provision for pension and other plans mainly represented pension plans in place at foreign companies of the TIM Group.

The **Provision for termination benefit incentives and corporate restructuring** increased, in the first half of 2023, by a total of 239 million euros. In the first half of 2023 a provision was made of 312 million euros, mainly in connection with the leaving of managerial and non-managerial staff envisaged in accordance with the application of Art. 4 of Law no. 92 of June 28, 2012, as per the agreements signed with the trade union organizations of the Parent Company TIM S.p.A., by Noovle S.p.A. and by Telecom Italia Sparkle S.p.A.. Said agreements entail outlay for an incentive to take redundancy for up to 2,000 people and are valid until November 30, 2023. During the first half of 2023, uses were also recorded of “provisions for termination benefit incentives and corporate restructuring” for 71 million euros in respect of provisions made during previous years, according to 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.

NOTE 19

PROVISIONS

Details are as follows:

(million euros)	12/31/2022	Increase	Taken to income	Used directly	Exchange differences and other changes	6/30/2023
Provision for taxation and tax risks	89	6		(1)	11	105
Provision for restoration costs	334	10		(6)	(9)	329
Provision for legal disputes	444	54		(39)	12	471
Provision for commercial risks	362	9	(12)	(163)	3	199
Provision for risks and charges on investments and corporate-related transactions	11	—	—			11
Other provisions	14	—		(3)	—	11
Total	1,254	79	(12)	(212)	17	1,126
of which:						
non-current portion	910					844
current portion	344					282

The **provision for taxation and tax risks** mainly relates to the Brazil Business Unit.

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 assets (particularly batteries and wooden piling); it mainly refers to the Parent TIM S.p.A. (153 million euros), the company FiberCop S.p.A. (129 million euros) and the Brazil Business Unit (45 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at June 30, 2023 included 326 million euros for the Domestic Business Unit and 145 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 the first half of 2023, the provision reduced by 163 million euros, of which 140 million euros in respect of use of the Provision for contractual risks on onerous contracts (IAS 37) relating to ongoing relations with some counterparties mainly for the offer of multimedia content and connectivity; the Provision is representative of the net present value of the negative margin connected with these partnerships.

NOTE 20

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

These break down as follows:

(million euros)	6/30/2023	12/31/2022
Miscellaneous payables (non-current)		
Payables to social security agencies	302	400
Current income tax payables	—	—
Other payables	48	58
(a)	350	458
Other non-current liabilities		
Deferred revenues from customer contracts (Contract liabilities)	91	87
Other deferred revenue and income	354	354
Capital grants	236	247
(b)	681	688
Total	(a+b) 1,031	1,146

Miscellaneous payables (non-current) include:

- **payables to social security agencies** amounting to 302 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 Article 41, subsection 5bis of Italian Legislative Decree no. 148/2015;
- **other payables** equal to 48 million euros referring mainly to the Brazil Business Unit.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 91 million euros (87 million euros at December 31, 2022) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at June 30, 2023 will be reversed to the income statement generally by 2025. In particular, the item includes:
 - TIM S.p.A. deferred revenues for subscription charges, rent and maintenance payments (44 million euros);
 - TIM S.p.A. deferred revenues for network access subscription charges (19 million euros);
 - deferred revenues for outsourcing charges (18 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. 115 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 236 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 21

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

These break down as follows:

(million euros)	6/30/2023	12/31/2022
Trade payables		
Payables to suppliers	4,436	4,943
Payables to other telecommunications operators	376	352
(a)	4,812	5,295
Tax payables	(b)	582
Miscellaneous payables		
Payables for employee compensation	394	247
Payables to social security agencies	312	353
Payables for TLC operating fee	415	324
Dividends approved, but not yet paid to shareholders	33	48
Other	316	329
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months	88	108
Provisions for risks and charges for the current portion expected to be settled within 12 months	282	344
(c)	1,840	1,753
Other current liabilities		
Liabilities from customer contracts (Contract liabilities)	822	840
Other deferred revenue and income	61	59
Other	41	36
(d)	924	935
Total	(a+b+c+d) 8,158	8,199

Trade payables amounting to 4,812 million euros (5,295 million euros at December 31, 2022), mainly refer to:

- TIM S.p.A. (3,414 million euros; 3,745 million euros at December 31, 2022). The performance reflects the trend in payments of bills payable;
- Brazil Business Unit (821 million euros; 901 million euros at December 31, 2022). The performance also suffers the partial payment of payables connected with the November 2021 purchase of 5G licenses.

At June 30, 2023, trade payables due beyond 12 months came to 37 million euros (59 million euros at December 31, 2022) and mainly consist of payables of the Brazil Business Unit for the renewal of telecommunication licenses.

Tax payables amounted to 582 million euros and mainly consisted of payables of TIM S.p.A., mostly relating to VAT (441 million euros), the amount owed to the tax authorities for tax payables withheld as withholding agent (34 million euros) and the amount payable for the government concession tax (4 million euros), as well as to the tax payables of the Brazil Business Unit (81 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 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 (143 million euros). Further details are provided in the Consolidated Financial Statements at December 31, 2022 of the TIM Group.

Other current liabilities amounted to 924 million euros (935 million euros at December 31, 2022). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 822 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.

In particular:

- **contract liabilities** amounting to 8 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized;
- **customer-related items**, equal to 364 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 53 million euros, relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **deferred revenues from customer contracts**, equal to 397 million euros essentially include:
 - Parent Company deferred revenues for rent and maintenance fees (234 million euros);
 - Parent Company deferred revenues for interconnection fees (110 million euros);
 - Parent Company deferred revenues on activation and installation of new contracts with customers (3 million euros).
- **Other deferred revenue and income** amounted to 61 million euros. These refer mainly to deferred revenues from transmission capacity transfer contracts.
- **Other**, amounting to 41 million euros. They mainly refer to the Parent Company and relate to payables for advances on work in progress on networks.

NOTE 22

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant court, arbitration and tax disputes involving TIM Group and pending at June 30, 2023, as well as those that came to an end during the period.

The TIM Group has posted liabilities totaling 274 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 2023 Half-Year 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, subsection 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

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 A556;
- Poste;
- Iliad (winback).



International tax and regulatory disputes

At June 30, 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 18.7 billion reais (18.2 billion reais at December 31, 2022), corresponding to approximately 3.6 billion euros at June 30, 2023. The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.2 billion reais (3.3 billion reais at December 31, 2022).

State taxes

Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular, now incorporated into TIM S.A., on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance;
- challenges of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States;
- challenges of ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups.

Overall, the risk for these cases, considered to be possible, amounts to 10 billion reais (9.6 billion reais at December 31, 2022).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.7 billion reais (around 1.6 billion reais at December 31, 2022).

FUST and FUNTTEL

The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.

Overall, the risk for these cases, considered to be possible, amounts to 3.8 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 refrain 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 claim for damages. 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. The case is currently reserved for decision.

Antitrust Case A514

In June 2017 AGCM (the Italian Competition Authority) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the "Treaty on the Functioning of the European Union". The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the Broadband and Ultrabroadband fixed network. In particular, the AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) pre-emptively securing customers on the retail market for Ultrabroadband services by means of commercial policies designed to restrict the space of customer contendability remaining for the competitor operators.

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

On February 14, 2018, AGCM (the Italian Competition Authority) resolved to extend the scope of the case to investigate further behavior concerning TIM's wholesale pricing strategy on the market for wholesale access to Broadband and Ultrabroadband, and the use of the confidential information of customers of the alternative operators.

On July 5, 2018 TIM filed proposed undertakings which, if accepted by the Authority, would close the investigation without any offense being established or sanction being administered. The undertakings were considered as admissible by the Authority, that market tested them in August and September.

On October 30, 2018, TIM replied to observations made by third parties and modified its proposed undertakings. With its decision notified on December 4, 2018, AGCM (the Italian Competition Authority) once and for all rejected the proposed series of undertakings as it considered them unsuitable in light of the objections raised.

On March 4, 2019, TIM requested AGCM (the Italian Competition Authority) for an extension of the deadline for closing the proceedings (initially set for May 31, 2019).

On April 10, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until September 30, 2019. On May 17, 2019, AGCM (the Italian Competition Authority) notified TIM of the results of the investigation (CRI). In the CRI, AGCM (the Italian Competition Authority) essentially confirmed the case for the prosecution outlined in the start-up and extension of the proceedings orders.

On June 12, 2019 AGCM (the Italian Competition Authority) extended the deadline for deposit of TIM's final defense to September 20, 2019 and set the final hearing for September 25, 2019.

On September 18, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until February 28, 2020.

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in Ultrabroadband network infrastructure. The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision.

In May 2021, the Company in any case paid the fine.

TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment 1963/2022 of February 28, 2022, TIM's appeal was rejected; TIM has appealed to the Council of State against the decision of the regional administrative court.

In August 2022, Irideos notified a deed of intervention *ad opponendum* with respect to TIM's principal appeal.

The related hearing for oral discussion has been scheduled for May 25, 2023. Upon completion of the hearing, the Council of State arranged for an official technical consultant to be appointed to provide a report on 3 aspects relating to the profitability of the investment in the white zones, deferring discussion of the case to the hearing scheduled for December 6, 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. By order of July 17, 2023, the Court of Milan lifted the reservation and deferred to the hearing of April 3, 2024 for the closing arguments.

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 Eutelia and Voiceplus proposed an appeal against the judgment at first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the 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. On June 8, 2023, the decision of the EU Court of Justice was published according to which the Italian legislation assigning AGCom the power to impose a monthly or multiple-monthly frequency of renewal and billing of such offers on fixed telephony services and converging offers, is not in conflict with the Union law. The judgment must now be summarized before the Council of State.

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 I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFEU.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the Regional Administrative Court 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.

Note that on July 25, 2023, the Council of State reformed the decision of the Regional Administrative Court, confirming the validity of the AGCM measure on case I820, with the exception of the quantification of the sanction, which must be redetermined by the Authority, taking into account, amongst other aspects, a lesser duration of the understanding.

The reduction in the duration of the infraction must therefore also be assessed in connection with the intensity and effects the conduct had on the market. It is not therefore presently possible to provide a sufficiently reliable estimate of how the amount of the sanction may be redetermined by AGCM.

The company is aware that the use of estimates is an essential part of preparing financial statements and does not affect their reliability. This is particularly true in the case of provisions that, by nature, are more uncertain than many other items in the statement of financial position.

With specific reference to the investigation, the assessment of a potential Provision for Risks would fall within a range characterized by numerous aspects of uncertainty, in which not all the variables to be defined in order to achieve a reasonable, reliable estimate are presently known, having to be based on the analysis of not only quantitative but also qualitative elements.

During the second half of the year - also following discussions with the Authorities - we will be better able to provide a more detailed description of the scope of the risk and assess a provision (Non-Recurring Provision for Risks with impact on reported EBITDA) to be made specifically, at the same time also providing an estimate of the financial effects and an indication of the uncertainty relating to the amount of the expected outlay.

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; on July 10, 2023, Open Fiber appealed against such judgment.

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.

On April 18, 2023, AGCM decided to further extend the deadline for the conclusion of the proceedings to June 30, 2023, due to the complex nature of the defense arguments given by the Parties in the briefs submitted.

On June 28, 2023, AGCM resolved that the conduct implemented by TIM and DAZN constituted an agreement that restricted competition, in breach of Article 101 of the TFEU.

However, the agreement, with specific reference to its exclusive nature, lasted for approximately just one month, whilst its potential competition-restricting effects have been neutralized by the timely initiation of the investigation proceedings by the Authority on July 6, 2021.

The simultaneous interim sub-proceedings, which were held just after the start of the first football season of the three years 2021-2024 in fact prevented any effects being experienced of the agreement insofar as early August 2021, TIM and DAZN ceased applying the disputed contractual clauses, adopting voluntary measures. The original agreement was then replaced by a new contract, stipulated in August 2022, which eliminated the exclusivity entirely, thereby removing the competition concerns underlying the existence of the exclusive distribution arrangements, from the root.

Consequently, also in light of the attenuating circumstances acknowledged, AGCM (the Italian Competition Authority) has applied a pecuniary sanction of 760,776.82 euros to TIM and a pecuniary sanction of 7,240,250.84 euros to DAZN.

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, countermanning the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

With a judgment issued in June 2018, the TAR rejected all of Vodafone's appeals for observance, and, as requested by TIM, expressly affirmed that AGCom must renew the proceedings, particularly with regard to the determination of the degree of replaceability between fixed and mobile telephony. Vodafone challenged the four judgments before the Council of State, which, with a decision of October 2019, upheld Vodafone's appeal and confirmed the restitutory obligation of the sums in question applicable to TIM.

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCom for the analysis of iniquity second facie. Fastweb, Vodafone, Wind, AGCom and TIM have appealed to the Council of State against the judgment of the regional administrative court and the related hearings of the merits have been scheduled for April 4 and 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 Eitel 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.

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 Court 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 Court 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 Court of Arbitration 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 January 8, 2024.

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.

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 took place on December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023. Following the filing of the preliminary briefs, Fastweb updated the quantification of the damages allegedly suffered as a result of TIM's unlawful conduct, taking it to approximately 101.1 million euros (of which 13.2 million euros subject to the upholding of TIM's main claim). At the June 13, 2023 hearing, the investigating judge reserved the right to deliberate.

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 5, 2023 and the Court reserved the objection of nullity of the writ of summons raised by TIM. The first hearing was postponed to October 11, 2023 following the upholding of 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 connected with the acquisition of the Oi Group mobile telephone assets.



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 judgment 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 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 February 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.

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. By way of compensation in 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 linked to the number of active accounts.

The number of shares received for each target achieved varies throughout the contract term, with the initial percentages being more advantageous for TIM due to the greater effort required for a new digital company to take off.

Even with the project's success, differences between the partners resulted in the initiation of arbitration proceedings in 2021.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce, by TIM S.A. against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. through which the interpretation will be discussed of certain clauses of the contracts governing the partnership. In the event of losing, the partnership may be dissolved.

On February 1, 2021, TIM S.A. had reported having obtained, under the scope of such partnership, the right to exercise a Subscription Bonus equal to an indirect share of approximately 1.4% in the share capital of Banco C6 S.A. following the December 2020 achievement of the 1st level of objectives agreed and that this would be exercised at the time deemed appropriate by the Company's management. It is important to stress that this subscription bonus assigns TIM S.A., when exercised, a minority position without control or significant influence over the management of Banco C6 S.A..

Thereafter, the Company exercised the option to purchase and convert C6 shares, which account for 1.4% of the share capital, equal to 163 million reais.

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 6,826 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 1,703 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 82 of June 28, 2012, and Article 41, subsection 5bis, of Italian Legislative Decree no. 148/2015 for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 903 million euros, including 841 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 698 million euros.

The guarantees given in respect of loans are explained in Note 14 “Non-current and current financial liabilities”.

NOTE 23

REVENUES

Details are as follows:

(million euros)	1st Half 2023	1st Half 2022
Equipment sales	634	527
Services	7,212	7,030
Total	7,846	7,557

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 540 million euros (575 million euros in the first half of 2022), included in Costs of services.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note “Segment Reporting”.

NOTE 24

FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 757 million euros (expense of 686 million euros in the first half of 2022) and comprises:

(million euros)	1st Half 2023	1st Half 2022
Finance income	595	773
Finance expenses	(1,352)	(1,459)
Net finance income (expenses)	(757)	(686)

The items break down as follows:

(million euros)	1st Half 2023	1st Half 2022
Interest expenses and other finance expenses:		
Interest expenses and other costs relating to bonds	(385)	(404)
Interest expenses to banks	(164)	(35)
Interest expenses to others	(29)	(19)
Finance expenses on lease liabilities	(209)	(170)
	(787)	(628)
Commissions	(29)	(34)
Other finance expenses	(83)	(100)
	(112)	(134)
Interest income and other finance income:		
Interest income	56	65
Income from financial receivables, recorded in Non-current assets	2	2
Income from securities other than investments, recorded in Non-current assets	—	—
Income from securities other than investments, recorded in Current assets	15	11
Miscellaneous finance income	27	24
	100	102
Total net finance interest/(expenses)	(a) (799)	(660)
Other components of finance income and expenses:		
Net exchange gains and losses	33	7
Net result from derivatives	(5)	50
Net fair value adjustments to fair value hedge derivatives and underlying instruments	—	1
Net fair value adjustments to non-hedging derivatives	14	(84)
Total other components of finance income and expenses	(b) 42	(26)
Total net finance income (expenses)	(a+b) (757)	(686)

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

(million euros)		1st Half 2023	1st Half 2022
Exchange gains		166	396
Exchange losses		(133)	(389)
Net exchange gains and losses		33	7
Income from fair value hedge derivatives		—	1
Charges from fair value hedge derivatives		—	—
Net result from fair value hedge derivatives	(a)	—	1
Positive effect of the reversal of the Reserve for hedging instruments to the income statement (interest rate component)		234	202
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(187)	(149)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	(b)	47	53
Income from non-hedging derivatives		36	38
Charges from non-hedging derivatives		(88)	(42)
Net result from non-hedging derivatives	(c)	(52)	(4)
Net result from derivatives	(a+b+c)	(5)	50
Positive fair value adjustments to fair value hedge derivatives		—	—
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives		—	—
Net fair value adjustments	(d)	—	—
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		—	3
Negative fair value adjustments relating to fair value hedge derivatives		—	(2)
Net fair value adjustments	(e)	—	1
Net fair value adjustments to fair value hedge derivatives and underlying instruments	(d+e)	—	1
Positive fair value adjustments to non-hedging derivatives	(f)	59	31
Negative fair value adjustments to non-hedging derivatives	(g)	(45)	(115)
Net fair value adjustments to non-hedging derivatives	(f+g)	14	(84)

NOTE 25

PROFIT (LOSS) FOR THE PERIOD

The profit (loss) for the period can be analyzed as follows:

(million euros)

	1st Half 2023	1st Half 2022
Profit (loss) for the period	(673)	(360)
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(813)	(483)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to owners of the Parent	(813)	(483)
Non-controlling interests:		
Profit (loss) from continuing operations	140	123
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to Non-controlling interests	140	123

NOTE 26

EARNINGS PER SHARE

	1st Half 2023	1st Half 2022
Basic earnings per share		
Profit (loss) for the period attributable to owners of the Parent	(813)	(483)
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)	—	—
(million euros)	(813)	(483)
Average number of ordinary and savings shares (millions)	21,249	21,241
Basic earnings per share – Ordinary shares (euros)	(0.04)	(0.02)
Plus: additional dividends per savings share	—	—
Basic earnings per share – Savings shares (euros)	(0.04)	(0.02)
Basic earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(813)	(483)
Less: additional dividends for the savings shares	—	—
(million euros)	(813)	(483)
Average number of ordinary and savings shares (millions)	21,249	21,241
Basic earnings per share from continuing operations – Ordinary shares (euros)	(0.04)	(0.02)
Plus: additional dividends per savings share	—	—
Basic earnings per share from continuing operations – Savings shares (euros)	(0.04)	(0.02)
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)	21,249	21,241
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares (euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares (euros)	—	—
	1st Half 2023	1st Half 2022
Average number of ordinary shares	15,220,777,483	15,213,524,300
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,248,569,182	21,241,315,999

	1st Half 2023	1st Half 2022
Diluted earnings per share		
Profit (loss) for the period attributable to owners of the Parent	(813)	(483)
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)	(813)	(483)
Average number of ordinary and savings shares (millions)	21,249	21,602
Diluted earnings per share – Ordinary shares (euros)	(0.04)	(0.02)
Plus: additional dividends per savings share	—	—
Diluted earnings per share – Savings shares (euros)	(0.04)	(0.02)
Diluted earnings per share from continuing operations		
Profit (loss) from continuing operations attributable to Owners of the Parent	(813)	(483)
Dilution effect of stock option plans and convertible bonds (*)	—	—
Less: additional dividends for the savings shares	—	—
(million euros)	(813)	(483)
Average number of ordinary and savings shares (millions)	21,249	21,602
Diluted earnings per share from continuing operations – Ordinary shares (euros)	(0.04)	(0.02)
Plus: additional dividends per savings share	—	—
Diluted earnings per share from continuing operations – Savings shares (euros)	(0.04)	(0.02)
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)	21,249	21,602
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)	—	—
	1st Half 2023	1st Half 2022
Average number of ordinary shares (*)	15,220,777,483	15,574,352,762
Average number of savings shares	6,027,791,699	6,027,791,699
Total	21,248,569,182	21,602,144,461

(*) 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, for the first half of 2022, 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 period 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 the first half of 2022). As regards the first half of 2022, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at June 30, 2023:

	Number of maximum shares issuable	Share capital (thousands of euros)	Additional paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	55,447,678 ⁽¹⁾			
2022-2024 Stock Options Plan	257,763,000	109,292 ⁽²⁾		0.424
Total	313,210,678	109,292		

(1) Maximum number of shares still able to be allocated post-maturity of the first incentive cycle.

(2) Maximum share capital increase resolved by the Shareholders' Meeting on April 7, 2022. At June 30, 2023, the maximum number of shares that can be issued is 213,084,662, for a maximum share capital increase of 90,347,896.69 euros.

Further information is provided in the Notes “Non-current and current financial liabilities” and “Equity compensation plans”.

NOTE 27

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.);
- **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 period, 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	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022
Third-party revenues	5,749	5,738	2,097	1,819	—	—	—	—	7,846	7,557
Intragroup revenues	18	16	1	—	—	—	(19)	(16)	—	—
Revenues by operating segment	5,767	5,754	2,098	1,819	—	—	(19)	(16)	7,846	7,557
Other income	102	69	7	9	—	—	—	—	109	78
Total operating revenues and other income	5,869	5,823	2,105	1,828	—	—	(19)	(16)	7,955	7,635
Acquisition of goods and services	(2,752)	(2,637)	(842)	(756)	(1)	(5)	16	13	(3,579)	(3,385)
Employee benefits expenses	(1,548)	(1,410)	(162)	(143)	(1)	(1)	—	—	(1,711)	(1,554)
of which: provisions for employee severance indemnities	—	—	—	—	—	—	—	—	—	—
Other operating expenses	(153)	(167)	(182)	(171)	(2)	(2)	(1)	(2)	(338)	(342)
of which: write-downs and expenses in connection with credit management and provision charges	(60)	(65)	(74)	(66)	—	—	(1)	1	(135)	(130)
Change in inventories	41	21	25	13	—	—	—	1	66	35
Internally generated assets	225	224	49	42	—	—	3	3	277	269
EBITDA	1,682	1,854	993	813	(4)	(8)	(1)	(1)	2,670	2,658
Depreciation and amortization	(1,770)	(1,737)	(659)	(558)	—	(1)	—	1	(2,429)	(2,295)
Gains (losses) on disposal of non-current assets	(8)	29	5	5	—	—	1	—	(2)	34
Impairment reversals (losses) on non-current assets	—	—	—	—	—	—	—	—	—	—
EBIT	(96)	146	339	260	(4)	(9)	—	—	239	397
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(8)	35	(7)	(4)	—	—	—	—	(15)	31
Other income (expenses) from investments	—	—	—	—	—	—	—	—	3	—
Finance income	—	—	—	—	—	—	—	—	595	773
Finance expenses	—	—	—	—	—	—	—	—	(1,352)	(1,459)
Profit (loss) before tax from continuing operations	—	—	—	—	—	—	—	—	(530)	(258)
Income tax expense	—	—	—	—	—	—	—	—	(143)	(102)
Profit (loss) from continuing operations	—	—	—	—	—	—	—	—	(673)	(360)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—
Profit (loss) for the period	—	—	—	—	—	—	—	—	(673)	(360)
Attributable to:	—	—	—	—	—	—	—	—	—	—
Owners of the Parent	—	—	—	—	—	—	—	—	(813)	(483)
Non-controlling interests	—	—	—	—	—	—	—	—	140	123

Revenues by operating segment

(million euros)

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022
Revenues from equipment sales - third party	572	471	62	56	—	—	—	—	634	527
Revenues from equipment sales - intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	572	471	62	56	—	—	—	—	634	527
Revenues from services - third party	5,177	5,267	2,035	1,763	—	—	—	—	7,212	7,030
Revenues from services - intragroup	18	16	1	—	—	—	(19)	(16)	—	—
Total revenues from services	5,195	5,283	2,036	1,763	—	—	(19)	(16)	7,212	7,030
Total third-party revenues	5,749	5,738	2,097	1,819	—	—	—	—	7,846	7,557
Total intragroup revenues	18	16	1	—	—	—	(19)	(16)	—	—
Total revenues by operating segment	5,767	5,754	2,098	1,819	—	—	(19)	(16)	7,846	7,557

Purchase of intangible, tangible and rights of use assets by operating segment

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022
Purchase of intangible assets	351	489	89	114	—	—	—	—	440	603
Purchase of tangible assets	939	963	315	314	—	—	—	—	1,254	1,277
Purchase of rights of use assets	174	111	320	291	—	—	—	—	494	402
Total purchase of intangible, tangible and rights of use assets	1,464	1,563	724	719	—	—	—	—	2,188	2,282
<i>of which: capital expenditures</i>	<i>1,325</i>	<i>1,478</i>	<i>404</i>	<i>428</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>1,729</i>	<i>1,906</i>
<i>of which: increases in lease/leasing contracts for rights of use assets</i>	<i>139</i>	<i>85</i>	<i>320</i>	<i>291</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>459</i>	<i>376</i>

Headcount by Operating Segment

	Domestic		Brazil		Other Operations		Consolidated Total	
	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022
Headcount	40,903	40,984	9,271	9,395	13	13	50,187	50,392

Assets and liabilities by Operating Segment

	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022
Non-current operating assets	40,399	40,747	8,567	7,970	1	1	—	2	48,967	48,720
Current operating assets	4,025	3,975	1,050	907	19	19	(41)	(40)	5,053	4,861
Total operating assets	44,424	44,722	9,617	8,877	20	20	(41)	(38)	54,020	53,581
Investments accounted for using the equity method	240	262	286	277	—	—	—	—	526	539
Discontinued operations /Non-current assets held for sale									—	—
Unallocated assets									6,783	7,907
Total Assets									61,329	62,027
Total operating liabilities	8,892	8,886	2,130	2,133	21	23	(70)	(105)	10,973	10,937
Liabilities directly associated with Discontinued operations/Non-current assets held for sale									—	—
Unallocated liabilities									32,092	32,365
Equity									18,264	18,725
Total Equity and Liabilities									61,329	62,027

b) Reporting by geographical area

		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	6/30/2023	12/31/2022
Italy	(a)	5,603	5,604	5,296	5,299	40,165	40,495
Outside Italy	(b)	2,243	1,953	2,550	2,258	8,802	8,225
Total	(a+b)	7,846	7,557	7,846	7,557	48,967	48,720

c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 28

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 the first half of 2023 and 2022 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties	% of financial statement item
	(a)					(b)	(b/a)
Revenues	7,846	(6)	170			164	2.1
Other income	109	1				1	0.9
Acquisition of goods and services	3,579	52	100			152	4.2
Employee benefits expenses	1,711			38	8	46	2.7
Other operating expenses	338					—	—
Depreciation and amortization	2,429		3			3	0.1
Finance income	595		1			1	0.2
Finance expenses	1,352	2				2	0.1

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 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	7,557	11	46			57	0.8
Other income	78	2				2	2.6
Acquisition of goods and services	3,385	211	83			294	8.7
Employee benefits expenses	1,554			38	10	48	3.1
Amortization	2,295	24	2			26	1.1
Finance expenses	1,459	10				10	0.7

(*) 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 June 30, 2023 and December 31, 2022, are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 6/30/2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(141)		(91)		(91)	64.5
Current financial receivables arising from lease contracts	(94)		(52)		(52)	55.3
Non-current financial liabilities for lease contracts	4,710		10		10	0.2
Current financial liabilities for financing contracts and others	7,497	1			1	—
Current financial liabilities for lease contracts	873		4		4	0.5
Total net financial debt	26,210	1	(129)		(128)	(0.5)
Other statement of financial position line items						
Rights of use assets	5,528		37		37	0.7
Miscellaneous receivables and other non-current assets	2,467	2			2	0.1
Trade and miscellaneous receivables and other current assets	4,676	17	48		65	1.4
Miscellaneous payables and other non-current liabilities	1,031		20		20	1.9
Trade and miscellaneous payables and other current liabilities	8,158	25	85	27	137	1.7

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(49)		(1)		(1)	2.0
Current financial receivables arising from lease contracts	(69)		(11)		(11)	15.9
Non-current financial liabilities for lease contracts	4,597		10		10	0.2
Current financial liabilities for lease contracts	870		13		13	1.5
Total net financial debt	25,370		11		11	—
Other statement of financial position line items						
Rights of use assets	5,488		38		38	0.7
Miscellaneous receivables and other non-current assets	2,365	1			1	—
Trade and miscellaneous receivables and other current assets	4,539	26	55		81	1.8
Miscellaneous payables and other non-current liabilities	1,146		21		21	1.8
Trade and miscellaneous payables and other current liabilities	8,199	34	91	24	149	1.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for the first half of 2023 and 2022 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF 2023

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	2,188	11	2		13	—

(*) 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 FIRST HALF 2022

(million euros)	Total	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties	% of financial statement item
	(a)				(b)	(b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	2,282	14	12		26	1.1

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

Transactions with associates, subsidiaries of associates and joint ventures

The most significant values of the transactions with associates, subsidiaries of associates and joint ventures are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	1st Half 2023	1st Half 2022	TYPE OF CONTRACT
Revenues			
Polo Strategico Nazionale S.p.A.	5		Supply of products, software configuration and installation services, security services, cloud services, data center spaces, connectivity and design.
INWIT S.p.A.	—	15	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
I-Systems S.A.	3	3	Network maintenance and operation services.
Italtel S.p.A.	1		Supply of fixed and mobile telephone services including equipment, Microsoft licenses and outsourcing services.
TIMFin S.p.A.	(16)	(8)	Mobile and fixed voice services, outsourced services, fees and costs relating to financing transactions recognized as a reduction in the item Revenues of the Parent Company TIM S.p.A..
Other minor companies	1	1	
Total revenues	(6)	11	
Other income	1	2	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.	—	167	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.	35	32	Supply of multimedia communication services and capacity services.
Italtel S.p.A.	12	7	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.	4	4	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	52	211	
Depreciation and amortization	—	24	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.	—	7	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	2	3	Finance expenses for commission and other finance expenses.
Total finance expenses	2	10	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2023	12/31/2022	TYPE OF CONTRACT
Net financial debt			
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			
Miscellaneous receivables and other non-current assets	2	1	Other deferred costs to Italtel S.p.A.
Trade and miscellaneous receivables and other current assets			
Polo Strategico Nazionale S.p.A.	10	20	Supply of products, software configuration and installation services, security services, cloud services, data center spaces, connectivity and design.
I-Systems S.A.	2	3	Network maintenance and operation services.
Italtel S.p.A.	3	1	Supply of fixed and mobile telephone services including Microsoft devices and licenses.
W.A.Y. S.r.l.	1	1	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Other minor companies	1	1	
Total trade and miscellaneous receivables and other current assets	17	26	
Trade and miscellaneous payables and other current liabilities			
Italtel S.p.A.	9	15	Supply contracts connected with investment and operation.
I-Systems S.A.	9	9	Supply of multimedia communication services and capacity services.
TIMFin S.p.A.	5	8	Costs related to loans.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Total trade and miscellaneous payables and other current liabilities	25	34	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	1st Half 2023	1st Half 2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Italtel S.p.A.	11	7	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	IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	11	14	

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)	1st Half 2023	1st Half 2022	TYPE OF CONTRACT
Revenues			
			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 for Open Fiber (formerly Metroweb) and electricity supply services.
Cassa Depositi e Prestiti Group	169	46	
Other minor companies	1		
Total revenues	170	46	
Acquisition of goods and services			
			Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (former Metroweb) network of Milan and Genoa (primary network portion) and electricity purchases.
Cassa Depositi e Prestiti Group	18	22	
Havas Group	78	58	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
			Purchase of musical and television digital content, operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments, use of the My Canal platform licenses.
Vivendi group	4	3	
Total acquisition of goods and services	100	83	
			Purchase of underground infrastructures on black areas and purchase of connected fiber to Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti Group.
Amortization	3	2	
Finance income	1		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2023	12/31/2022	TYPE OF CONTRACT
Net financial debt			
Non-current financial assets	(91)	(1)	Overhead infrastructure lease contracts with Open Fiber (Cassa Depositi e Prestiti Group).
Current financial assets	(52)	(11)	Infrastructure lease contracts with Open Fiber (Cassa Depositi e Prestiti Group).
Non-current financial liabilities	10	10	Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti Group, lease contract.
Current financial liabilities	4	13	Payable for purchase in IRU infrastructures in respect of Open Fiber (formerly Metroweb), a Cassa Depositi e Prestiti Group company.
Other statement of financial position line items			
Rights of use assets	37	38	Supply and installation of vertical segments and infrastructure for Open Fiber (a company of the Cassa Depositi e Prestiti Group).
Trade and miscellaneous receivables and other current assets			
Cassa Depositi e Prestiti Group	38	55	IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services and electricity supply.
Havas Group	10	—	Prepaid expenses related to costs for advertising services.
Total trade and miscellaneous receivables and other current assets	48	55	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	19	19	Deferred income from deferred subscription charges.
Vivendi group	1	2	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	20	21	
Trade and miscellaneous payables and other current liabilities			
Cassa Depositi e Prestiti Group	47	47	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (former Metroweb) network of Milan and Genoa (primary network portion) and electricity purchases.
Havas Group	35	42	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	3	2	Purchase of musical and television digital content, operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments, use of the My Canal platform licenses.
Total trade and miscellaneous payables and other current liabilities	85	91	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	1st Half 2023	1st Half 2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Cassa Depositi e Prestiti Group	2	12	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (former Metroweb) network of Milan and Genoa (primary network portion).
Total purchase of intangible, tangible and rights of use assets on an accrual basis	2	12	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	1st Half 2023	1st Half 2022	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	4	4	
Telemaco	32	32	
Other pension funds	2	2	
Total employee benefits expenses	38	38	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2023	12/31/2022	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	2	3	
Telemaco	23	20	
Other pension funds	2		
Total trade and miscellaneous payables and other current liabilities	27	26	

Remuneration to key managers

In the first half of 2023, the total remuneration recorded on an accrual basis by TIM or by companies controlled by the Group in respect of key managers amounted to 7.7 million euros (9.8 million euros for the first half of 2022).

(million euros)	1st Half 2023	1st Half 2022
Short-term remuneration	5.7 ⁽¹⁾	5.6 ⁽³⁾
Long-term remuneration		
Employment termination benefit incentives		0.1 ⁽⁴⁾
Share-based payments (*)	2.0 ⁽²⁾	4.1 ⁽⁵⁾
Total	7.7	9.8

^(*) These refer to the fair value of the rights, accrued at June 30, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive, Stock Options Plan and Plans of the subsidiaries).

(1) of which 0.7 million euros recorded by the subsidiaries;

(2) of which 0.9 million euros recorded by the subsidiaries;

(3) of which 0.5 million euros recorded by the subsidiaries;

(4) of which 0.1 million euros recorded by the subsidiaries;

(5) of which 2.4 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; in 2023, it does not include the effects of the reversal of the accruals related to the 2022 costs amounting to -0.4 million euros. They also do not include the value referring to the taxable amount of the shares of the 2020-2022 LTI Plan assigned during the first half of 2023, equal to 0.6 million euros.

In the first half of 2023, 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 112,500 euros (100,700 euros in the first half of 2022).

In the first half of 2023, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:	
Pietro Labriola	Managing Director and Chief Executive Officer of TIM S.p.A. General Manager of TIM S.p.A.
Executives:	
Alberto Maria Griselli	Diretor Presidente TIM S.A.
Adrian Calaza Noia	Chief Financial Office
Paolo Chiriotti	Chief Human Resources & Organization Office
Simone De Rose	Head of Procurement
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	Chief Network, Operations & Wholesale Office
Andrea Rossini	Chief Consumer, Small & Medium Market Office
Eugenio Santagata	Chief Public Affairs & Security Office Chief Executive Officer of Telsy
Elio Schiavo	Chief Enterprise and Innovative Solutions Office Chief Executive Officer of Noovle

NOTE 29

EQUITY COMPENSATION PLANS

Equity compensation plans in force at June 30, 2023, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2023.

A summary is provided below of the plans in place at June 30, 2023.

Description of stock option plans

TIM S.p.A. 2022-2024 Stock Option Plan

The Shareholders' Meeting held on April 7, 2022, approved the one-shot 2022-2024 Stock Option Plan. The Plan aims to encourage Beneficiaries to create value for the Company's shareholders, aligning management's interests with the interests of TIM shareholders in terms of achieving the qualified objectives of the Industrial Plan and growth in the value of the Share in the medium-term. The Plan intends to also assure the possibility of attracting new managers from the outside, as the Industrial Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives. 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 indicator 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 June 30, 2023, there were a total of 128 addressees and the number of options assigned at target is 193,713,331.

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>).

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the rolling and equity based long-term incentive plan called LTI 2020-2022.

The Plan envisaged three incentive cycles, connected with the performance three-year periods 2020-2022, 2021-2023, 2022-2024; over time, two of the three incentive cycles have been launched: 2020-2022, 2021-2023.

On April 7, 2022, the Shareholders' Meeting approved, after acknowledging the changes in scenario, the obsolescence of the 2020-22 Long Term Incentive Plan and replaced the third cycle of this plan with the new 2022-2024 Stock Options Plan described previously.

A description of the characteristics of the 2020-2022 LTI Plan is given in the TIM Group Consolidated financial statements at December 31, 2022.

2020-2022 Cycle

The final calculation of the performance indicators related to this cycle was approved by TIM S.p.A.'s Board of Directors on March 15, 2023; for the 102 recipients continuing their contract of employment with TIM or the Group subsidiaries at December 31, 2022, a total of 10,879,774 shares were assigned.

2021-2023 Cycle

At June 30, 2023, the cycle provides for the 141 recipients to be entitled to receive an award of 38,520,995 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 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 June 30, 2023, 100% of the rights assigned were considered as vested.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Three vesting periods ended on June 30, 2023:

- **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 related 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 June 30, 2023, 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.

Three vesting periods ended on June 30, 2023:

- **In 2021**, in compliance with the results approved on May 5, 2021, 267,145 shares were transferred to beneficiaries, of which 206,578 relating to the original volume accrued, 51,634 granted according to the degree to which objectives had been achieved and 8,933 shares as a result of the dividends distributed during the period.
- **In 2022**, in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).
- **In 2023**, in compliance with the results approved on May 8, 2023, in July 284,922 shares will be transferred to beneficiaries, of which 230,188 relating to the original volume accrued, 25,174 granted according to the

degree to which objectives had been achieved and 29,560 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 37,714 shares (30,471 relating to the original volume accrued, 3,330 acknowledged according to the degree to which the objectives had been achieved and 3,913 due to dividends distributed during the period).

At June 30, 2023, of the original volume assigned of 796,054 shares, 74,200 had been canceled due to the beneficiaries having left the company and 605,082 shares had been transferred to beneficiaries (458,602 related to the original volume vested, 114,663 recognized on the basis of performance achieved and 31,817 for effect of dividends distributed during the period). For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,478 shares (2,593 related 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), thereby completing the 2020 concession.

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 vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the purchase operation of part of the Oi Móvel assets in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On June 30, 2023, in connection with the **traditional grant**, two vesting periods ended:

- **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 July of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- **2023:** in compliance with the results approved on May 8, 2023, in July 169,462 shares will be transferred to beneficiaries, of which 128,384 relating to the original volume accrued, 28,484 granted according to the degree to which objectives had been achieved and 12,594 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 17,576 shares (13,316 relating to the original volume accrued, 2,954 acknowledged according to the degree to which the objectives had been achieved and 1,306 due to dividends distributed during the period).

Relating to the **Special Grant**:

- **2022:** in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.
- **2023:** in compliance with the results approved on May 8, 2023, in July 1,038,041 shares will be transferred to beneficiaries, of which 829,161 relating to the original volume accrued, 131,775 granted according to the degree to which objectives had been achieved and 77,105 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 92,254 shares (76,087 relating to the original volume accrued, 9,314 acknowledged according to the degree to which the objectives had been achieved and 6,853 due to dividends distributed during the period).

At June 30, 2023, of the total assigned of 3,431,610 shares, 710,458 shares were canceled due to the beneficiaries leaving the Company, thereby leaving a balance of 628,262 shares that could be accrued at period end.

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 June 30, 2023, 192,105 shares were canceled due to beneficiaries leaving the company; at the same date, the first vesting period ended, after which, in July, 392,460 shares were transferred to beneficiaries, of which 264,305 relating to the original volume accrued, 110,928 granted according to the degree to which the objectives had been achieved and 17,227 shares as a result of dividends distributed during the period, thereby leaving a balance of 771,302 shares that could be accrued at period end.

NOTE 30

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of non-recurring events and transactions in the first half of 2023 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 period are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the period	Net financial debt carrying amount	Cash flows (*)
Carrying amount	(a)	18,264	(673)	26,210	(1,203)
Other income		—	—	20	(20)
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs		(12)	(12)	13	(13)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(412)	(412)	210	(210)
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		(1)	(1)	143	(143)
Gains on disposals of non-current assets		2	2	(2)	2
Other finance expenses		(15)	(15)	—	—
Total non-recurring effects	(b)	(438)	(438)	384	(384)
Income/(Expenses) relating to Discontinued operations	(c)	—	—	—	—
Figurative amount – financial statements	(a-b-c)	18,702	(235)	25,826	(819)

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	1st Half 2023	1st Half 2022
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(14)	(27)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(415)	(262)
Other operating expenses:		
Other charges and provisions	(1)	(3)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(430)	(292)
Gains (losses) on disposals of non-current assets:		
Gain on disposals of non-current assets	2	—
Impact on EBIT - Operating profit (loss)	(428)	(292)
Finance expenses:		
Other finance expenses	(15)	(3)
Impact on profit (loss) before tax from continuing operations	(443)	(295)
Income tax expense on non-recurring items	5	6
Impact on profit (loss) for the period	(438)	(289)

NOTE 31

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 during the first half of 2023 no atypical and/or unusual transactions, as defined by that Communication, were pursued.

NOTE 32

OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations^(*)

		Period-end exchange rates (statements of financial position)		Average exchange rates for the period (income statements and statements of cash flows)	
(local currency against 1 euro)		6/30/2023	12/31/2022	1st Half 2023	1st Half 2022
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	23.74200	24.11600	23.68155	24.64492
CHF	Swiss franc	0.97880	0.98470	0.98558	1.03167
TRY	Turkish lira	28.31930	19.96490	21.50513	16.25703
GBP	Pound sterling	0.85828	0.88693	0.87639	0.84219
RON	Romanian leu	4.96350	4.94950	4.93417	4.94572
RUB	Russian ruble	97.51750	77.95160	83.70696	84.27857
North America					
USD	U.S. dollar	1.08660	1.06660	1.08096	1.09331
Latin America					
VES	Venezuelan bolivar	30.22990	18.04390	25.85598	5.07243
BOB	Bolivian Boliviano	7.55700	7.38750	7.46274	7.51293
PEN	Peruvian nuevo sol	3.95640	4.08040	4.06070	4.12783
ARS	Argentine peso	280.23220	189.69730	229.90690	122.68380
CLP	Chilean peso	876.02000	909.36000	871.11962	902.86473
COP	Colombian peso	4,565.81000	5,194.90000	4,956.24538	4,279.99070
BRL	Brazilian real	5.23654	5.56520	5.48212	5.56056
Other countries					
ILS	Israeli shekel	4.04860	3.75540	3.88432	3.57511
NGN	Nigerian Naira	830.27050	493.65090	527.10149	455.35703

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.

b) Research and development

Costs for research and development activities are represented by external costs, labor costs of dedicated staff and depreciation and amortization. Details are as follows:

(million euros)	1st Half 2023	1st Half 2022
Research and development costs expensed during the period	21	20
Capitalized development costs	441	388
Total research and development costs (expensed and capitalized)	462	408

In the first half of 2023, in the separate consolidated income statements, a total of 437 million euros of depreciation and amortization expense was recorded for development costs, capitalized during the period and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Interim Report on Operations ("Research and Development" section).

NOTE 33

EVENTS SUBSEQUENT TO JUNE 30, 2023

TIM: placement of a 750 million euro bond with 5-year maturity and offer for the buy-back of loans falling due in 2024

During the month of July 2023, following the resolution passed by the Board of Directors on May 10, 2023 and after completion of book-building, TIM S.p.A. has placed a 750-million euro fixed-rate senior unsecured bond offered to institutional investors with the following characteristics:

Issuer: TIM S.p.A.
Amount: 750 million euros
Settlement date: July 20, 2023
Maturity: July 31, 2028
Coupon: 7.875% per year
Issue price: 99.996%

The terms and conditions governing the loan envisage certain commitments for the issuer typical of this type of transaction, such as, for example, a negative pledge and limits to the possibility of performing extraordinary corporate transactions, unless in compliance with certain predetermined parameters. The bond will also be subject to certain optional redemption characteristics, which will allow the issuer to redeem it, entirely or in part, in the cases and for the redemption prices specified in the terms and conditions.

The bond has been listed on the Luxembourg stock exchange Euro MTF market and has been assigned a B1, B+ and BB- rating respectively by the ratings agencies Moody's, S&P and Fitch.

The income from the bonds will be used to repay cut-off dates falling due in the short-term, including through buy-back offers on existing convertible bonds, for generic corporate purposes and/or to pay costs and expenses relating to the issue of such securities.

More specifically, on July 19, 2023, TIM announced the results of the buy-back offers on the following convertible bonds:

- "EUR 750,000,000 3.625 per cent Fixed Rate Notes due 19 January 2024" bond (ISIN: XS1347748607);
- "EUR 1,250,000,000 4.000 per cent Fixed Rate Notes due 11 April 2024" bond (ISIN: XS1935256369).

At the settlement date of July 20, 2023, TIM had bought back a portion of the two convertible bonds for cash. The total nominal amount concerned by the buy-back was approximately 600 million euros. Once bought back, the loans were canceled.

The table below shows the loans concerned by the buy-back, the amount accepted for purchase by TIM, the purchase price of the loans and the total principal amount of the loans still outstanding.

Loan	Amount accepted for purchase by TIM	Loan purchase price	Total principal amount of Loans still outstanding after the settlement date
EUR 750,000,000 3.625 per cent Fixed Rate Notes due 19 January 2024	EUR 300,000,000	99.75 percent	EUR 450,000,000
EUR 1,250,000,000 4.000 per cent Fixed Rate Notes due 11 April 2024	EUR 300,014,000	99.50 percent	EUR 949,986,000

TIM Brasil Serviços e Participações S. A.: placement of a 5 billion reais bond

On July 12, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A., the holding company fully owned by the TIM Group which in turns holds approximately 66.58% of TIM S.A., approved the issue of a bond, non-convertible and intended for institutional investors, in the amount of 4.25 billion reais, equivalent to approximately 800 million euros. On July 25, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A. resolved to increase the total amount of the bond by 750 million reais.

Following this increase, the bond has a total equivalent value of 5 billion reais, equivalent to approximately 950 million euros.

The settlement took place on 31 July 2023.

The bond issue is aimed at distributing dividends from TIM Brasil Serviços e Participações S.A. to its parent companies and is part of the Group's refinancing activities.

Investigation I820

With reference to investigation I820 of AGCM (the Italian Competition Authority) in respect of TIM, note that on July 25, 2023, the Council of State reformed the decision of the Regional Administrative Court, confirming the validity of the AGCM measure on case I820, with the exception of the quantification of the sanction, which must be redetermined by the Authority, taking into account a lesser duration of the understanding and the related implications in terms of intensity and effects that the conduct had on the market.

The assessment of a potential non-recurring provision to be made for risks comes under the scope of a range characterized by numerous aspects of uncertainty, which will be able to be better defined, in greater detail, during the latter part of the year.

For more details, see Note 22 “Disputes and Pending Legal Actions, other information, commitments and guarantees”.

NOTE 34

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
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 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)	BORGO MAGGIORE	EUR	78,000	51.0000		TIM SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	100,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTICIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTICIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA' (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. V LIKVIDACI (in liquidation) (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications)	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)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. V LIKVIDÁCII (in liquidation) (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNİKASYON ANONİM ŞİRKETİ (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (in liquidation) (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	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
TS-WAY S.r.l. (safeguarding and protection of the company IT assets in the field of IT security)	ORVIETO (TERNI)	EUR	11,364	100.0000		TELSY S.p.A.
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,227,356,500	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0005	66.5885	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	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	16.5553	(*)	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	10.0195	(*)	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	15.0160	(*)	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).

CERTIFICATION OF THE HALF-YEAR CONDENSED 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 Half-Year Condensed Consolidated Financial Statements for the period January 1 – June 30, 2023.
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 Half-Year Condensed Consolidated Financial Statements at June 30, 2023:
 - a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;
 - b) agree with the results of the accounting records and entries;
 - c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;
 - 3.2. The interim report on operations includes reliable analysis of references to important events occurring in the first six months of 2023 and their impact on the half-year condensed consolidated financial statements at June 30, 2023, along with a description of the main risks and uncertainties for the remaining six months of 2023. The Interim Report on Operations also contains a reliable analysis of information concerning significant related party transactions.

August 2, 2023

Chief Executive Officer

/ signed /

Pietro Labriola

**Manager Responsible for
Preparing the Corporate
Financial Reports**

/ signed /

Adrian Calaza Noia

INDEPENDENT AUDITORS' REPORT

Review report on the half-year condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Introduction

We have reviewed the half-year condensed consolidated financial statements, comprising the consolidated statements of financial position, the separate consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows and the related explanatory notes of TIM S.p.A. and its subsidiaries (the “TIM Group”) as of 30 June 2023. The Directors of TIM S.p.A. are responsible for the preparation of the half-year condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-year condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of half-year condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of TIM Group as of June 30, 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 3 August 2023

EY S.p.A.
Signed by: Ettore Abate, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

USEFUL INFORMATION

The 2023 Half-Year Financial Report is available online at gruppotim.it/report/ita and gruppotim.it/report/eng.

Information on TIM is also available at gruppotim.it and information on products and services at tim.it.

The following are also available:

- Free Number 800.020.220 (for calls from Italy) or +39 011 2293603 (for calls from abroad) available for information and assistance to shareholders
- TIM Investor Relations: +39 06 36882500 or investor_relations@telecomitalia.it

TIM S.p.A.

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General Administration and Secondary Office in Rome - Corso d'Italia 41

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Share Capital 11,677,002,855.10 euros, fully paid up

Tax Code/VAT no. and Milan-Monza Brianza-Lodi Companies Register file no. 00488410010