# HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2022

*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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## INTERIM MANAGEMENT REPORT AT JUNE 30, 2022

# BOARD OF DIRECTORS

| | |
|---|---|
| **Chairman** | Salvatore Rossi |
| **Chief Executive Officer and General Manager** | Pietro Labriola |
| **Directors** | Paolo Boccardelli (independent) |
| | Paola Bonomo (independent) |
| | Franck Cadoret |
| | Paola Camagni (independent) |
| | Maurizio Carli (independent) |
| | Luca De Meo (independent) |
| | Cristiana Falcone (independent) |
| | Federico Ferro Luzzi (independent) |
| | Giovanni Gorno Tempini |
| | Marella Moretti (independent) |
| | Ilaria Romagnoli (independent) |
| | Arnaud Roy de Puyfontaine |
| | Paola Sapienza (Lead Independent Director) |
| **Secretary to the Board** | Agostino Nuzzolo |

# BOARD OF STATUTORY AUDITORS

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

| | |
|---|---|
| **Independent Auditors** | EY S.p.A. |

# HIGHLIGHTS

The stabilization and revamp of the domestic business continued in the second quarter, together with the acceleration of the development of TIM Brasil following the purchase of Oi's mobile assets. At the same time, during the Capital Market Day held on July 7, the Group presented the new plan with the strategic objectives of overcoming vertical integration through the separation of fixed network infrastructure assets (NetCo) from services (ServiceCo with TIM Consumer, TIM Enterprise and TIM Brasil) and of reducing debt through the disposal and optimization of certain assets.

In Italy TIM confirmed the premium positioning strategy 'value vs. volume', also during the second quarter, minimizing promotional activities in both fixed and mobile, despite the tough competition and the absence of the voucher plan for consumer customers, which had a positive impact on the performance of the same period last year.

Furthermore, in the Domestic Business Unit, the cost containment initiatives envisaged in the 'Transformation Plan' (a set of actions aimed at increasing the level of TIM's structural efficiency continued in the quarter. The reduction of operating costs achieved in the first half with respect to an inertial trend was approximately 200 million euros, around 70% of the target set for 2022. Additional areas of efficiency related to capex and leases were identified, with the consequent increase to 1.5 billion euros from 960 million euros by 2024 of the cumulative target of cash cost reduction versus an inertial trend.

TIM Brasil recorded 15.2% YoY increase in service revenues and 11.8% EBITDA growth in the first half. During the second quarter, there was a strong growth acceleration in service revenues (+21.9% YoY), EBITDA (+18.2% YoY) and operating cash flow, (EBITDA-Capex, +19.9% YoY) thanks to a solid organic performance and the contribution of the Oi mobile assets starting from May. Thanks to this transaction, TIM Brasil aims at offering the best services and quality network in Brazil, confirming its status as the most profitable telco player in Latin America.

In light of the operating trends of the first half, the following targets for 2022 have been raised:

- Group organic EBITDA to *"high single digit decrease"* from *"low teens decrease"*;
- Group EBITDA AL to *"low teens decrease"* from *"mid to high teens decrease"*.

Net financial debt after lease at June 30, 2022 stood at 19.3 billion euros, up 1.9 billion euros YoY and 1.7 billion euros versus December 31, 2021. Net financial debt came to 24.7 billion euros, up 2.6 billion euros YoY and 2.5 billion euros versus December 31, 2021.

TIM cashed in the 2 billion euro syndicated loan with leading national and international banks, backed by SACE's guarantee, that will support its liquidity position, on July 27.

Equity free cash flow after lease was positive for 16 million euros in the first half (338 million euros equity free cash flow).

In terms of **strategic initiatives**, the main updates were:

- **Fiber network**: FTTH (Fiber To The Home) roll-out continued, with an increase of 3 percentage points in coverage of technical units, from 25% to 28% in six months.
- **TIM Enterprise**: service revenues up by approximately 9% YoY, thanks to Cloud business growth (+62% YOY).
- **NRRP**: TIM was awarded significant shares in all public tenders related to the development of fixed and mobile infrastructure, in particular:
  - All lots of the "*5G Backhauling*" tender for the fiber connection of 11 thousand mobile sites;
  - Seven lots of the "*Italia 1 Giga*" tender, for fiber coverage of 1.2 million technical units in "Gray Areas" by the end of 2026;
  - Four lots of the "*Connected Schools*" tender for fiber coverage and the supply of connectivity services to approximately 5,900 schools;
  - Two lots of the "*Connected Healthcare*" tender for fiber coverage and the supply of connectivity to approximately 3,100 health care institutes.

  Most of the 2022-2024 impact of the incremental investments related to the above tenders will be absorbed thanks to the 'Transformation Plan'.
- **Commercial agreement with Open Fiber in the "White Areas"**: on May 13, TIM, FiberCop and Open Fiber signed a commercial agreement for the re-use TIM's infrastructure "White Areas". The agreement, which marks the start of a new phase in the relations between the main Italian infrastructure operators to speed up the nationwide coverage with very high-capacity networks (VHCN), envisages Open Fiber buying the rights of use (IRU) from FiberCop for aerial infrastructure and access connections to the customers' homes for a total equivalent value of over 200 million euros. TIM has also committed to make Open Fiber's optical fiber available to its customers in "White Areas". This will enable the activation on Open Fiber's network of at least 500 thousand customers asking to use FTTH technology.
- **Integration process of TIM's and Open Fiber's networks**: on May 29, CDP Equity (CDPE), a company wholly owned by Cassa Depositi e Prestiti, Teemco Bidco S.à.r.l., a Luxembourg company controlled by one or more funds managed by Kohlberg Kravis Roberts & Co. L.P. (KKR), Macquarie Asset Management (Macquarie), Open Fiber and TIM signed a non-binding memorandum of understanding concerning the integration project between the networks of TIM and Open Fiber. The aim is to start a process to create a single telecommunications network operator, not vertically integrated, controlled by CDPE and in which Macquarie and KKR have an investment. By signing the non-binding memorandum of understanding, the

Parties have undertaken to negotiate exclusively and in good faith the terms and conditions of the transaction with the aim of signing any binding agreements by October 31, 2022.

- **National Strategic Hub (NSH)**: on July 7, the consortium comprising TIM, Leonardo, Cassa Depositi e Prestiti (through CDPE) and Sogei exercised the pre-emption right in the European tender for the development and management of the NSH, undertaking to fulfill the contractual obligations at the same conditions offered by the provisional successful bidder. The NSH envisages the development and management of an infrastructure to supply cloud services and solutions for the public administration, whose migration will start in the first half of 2023. Thanks to the action taken to limit costs, the margin expected for TIM in in line with that initially envisaged. Participation in the NSH as supplier will also give TIM additional commercial opportunities.

# Performance in the second quarter of 2022

The commercial strategy “Value vs Volume” continued, with the goal to ensure greater price rationality both in fixed and mobile markets and a higher level of customer loyalty.

During the second quarter, the **churn rate** in the mobile segment came in at the lowest levels seen in the last 16 years (3.3%, -0.4pp YoY) and it also improved in fixed (3.3%, -0.1pp YoY).

The total number of TIM **mobile lines** was 30.4 million, up by 32 thousand units QoQ. In a market that is still competitive in the low end (low-spending customers), the stabilization trend of the customer base continued: in terms of “mobile number portability” (i.e. the flow to other operators) TIM posted the best result among infrastructure operators with a net balance of -67 thousand lines. At the same time, the sector saw the portability flows reduced overall by more than 6% YoY, an indication that the competitive intensity in the high end of the market (high-spending customers) has reduced.

**Retail fixed lines** showed a similar trend versus the first quarter (-97 thousand), also due to the absence of the voucher plan for consumer customers which had a positive impact on the performance of Q2 2021. Average revenue of retail customers (ARPU BB+ICT) was up 5.5% YoY. In the second quarter, 175 thousand new retail and wholesale ultrabroadband lines were activated, reaching **10.4 million** units, up by more than 10% YoY.

Group **revenues** were 3.9 billion euros (-1.4% YoY) improving compared to the previous quarter (-4.5% YoY).

Group **service revenues** were 3.6 billion euros, up 1.0% on the second quarter of 2021, improving compared to the trend of the previous quarter (-2.5% YoY).

In the Domestic Business segment, **revenues generated by innovative services** (ICT revenues), grew 18.4% YoY.

Group **organic EBITDA** in the quarter was 1.6 billion euros (-8.5% YoY): 1.1 billion euros (-16.3% YoY) for the Domestic Business Unit and 0.5 billion euros for TIM Brasil (+18.2% YoY). The decline of domestic organic EBITDA, which in any case improved versus the previous quarter (-18.3% YoY), was mainly related to the revenue trend, as operating costs declined by approximately 1.0%YoY. The YoY performance was impacted by non-repeatable domestic wholesale transactions and commercial and activation cost reduction (driven by the extension of the useful life of mobile customers from 3 to 4 years and of fixed customers from 7 to 8 years) recorded in the second quarter 2021. In Brazil, the integration of the Oi assets provided a further acceleration of TIM Brasil's organic EBITDA.

**EBITDA After Lease** was 1.3 billion euros (-12.3% YoY): 1.0 billion euros for the Domestic Business Unit (-18.0% YoY) and 0.3 billion euros for TIM Brasil (+10.8% YoY).

At Group level, **investments** came to 0.9 billion euros, in line with the plan objectives and with a stable trend versus the second quarter of 2021 (-0.7% YoY).

The **net result** attributable to the Shareholders of the Parent Company stood at -483 million euros in the half-year and -279 million euros in the second quarter.

## Financial highlights

| (million euros) - reported data | | 2nd Quarter 2022 (a) | 2nd Quarter 2021 (b) | % Change (a-b) | 1st Half 2022 (a) | 1st Half 2021 (b) | % Change (a-b) |
|---|---|---|---|---|---|---|---|
| Revenues | | 3,913 | 3,815 | 2.6 | 7,557 | 7,543 | 0.2 |
| EBITDA | (1) | 1,342 | 1,593 | (15.8) | 2,658 | 2,753 | (3.5) |
| *EBITDA Margin* | (1) | *34.3%* | *41.8%* | *(7.5)pp* | *35.2%* | *36.5%* | *(1.3)pp* |
| EBIT | (1) | 188 | 456 | (58.8) | 397 | 484 | (18.0) |
| *EBIT Margin* | (1) | *4.8%* | *12.0%* | *(7.2)pp* | *5.3%* | *6.4%* | *(1.1)pp* |
| Profit (loss) for the period attributable to owners of the Parent | | (279) | 79 | — | (483) | (149) | — |
| Capital Expenditures & spectrum | | 974 | 1,117 | (12.8) | 1,906 | 1,808 | 5.4 |
| | | | | | 6/30/2022 (a) | 12/31/2021 (b) | Change Amount (a-b) |
| Adjusted net financial debt | (1) | | | | 24,654 | 22,187 | 2,467 |

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

## Organic results [1]

| (million euros) - organic data | 2nd Quarter 2022 (a) | 2nd Quarter 2021 (b) | % Change | 1st Half 2022 (a) | 1st Half 2021 (b) | % Change |
|---|---|---|---|---|---|---|
| **TOTAL REVENUES** | 3,913 | 3,967 | (1.4) | 7,557 | 7,782 | (2.9) |
| Domestic | 2,908 | 3,141 | (7.4) | 5,754 | 6,223 | (7.5) |
| Brazil | 1,013 | 833 | 21.8 | 1,819 | 1,573 | 15.4 |
| Other operations, adjustments and eliminations | (8) | (7) | — | (16) | (14) | — |
| **SERVICE REVENUES** | 3,644 | 3,607 | 1.0 | 7,030 | 7,079 | (0.7) |
| Domestic | 2,671 | 2,807 | (4.8) | 5,283 | 5,565 | (5.1) |
| *o/w Wireline* | *2,056* | *2,164* | *(5.0)* | *4,076* | *4,308* | *(5.4)* |
| *o/w Mobile* | *751* | *783* | *(4.1)* | *1,479* | *1,540* | *(4.0)* |
| Brazil | 981 | 807 | 21.9 | 1,763 | 1,528 | 15.2 |
| Other operations, adjustments and eliminations | (8) | (7) | — | (16) | (14) | — |
| **EBITDA** | 1,563 | 1,708 | (8.5) | 2,950 | 3,308 | (10.8) |
| Domestic | 1,101 | 1,316 | (16.3) | 2,130 | 2,576 | (17.3) |
| Brazil | 466 | 396 | 18.2 | 826 | 738 | 11.8 |
| Other operations, adjustments and eliminations | (4) | (4) | — | (6) | (6) | — |
| **EBITDA After Lease** | 1,303 | 1,486 | (12.3) | 2,472 | 2,883 | (14.3) |
| Domestic | 972 | 1,186 | (18.0) | 1,876 | 2,321 | (19.2) |
| Brazil | 335 | 304 | 10.8 | 602 | 568 | 6.0 |
| Other operations, adjustments and eliminations | (4) | (4) | — | (6) | (6) | — |
| **CAPEX (net of telecommunications licenses)** | 904 | 910 | (0.7) | 1,836 | 1,626 | 12.9 |
| Domestic | 702 | 735 | (4.5) | 1,408 | 1,225 | 14.9 |
| Brazil | 202 | 175 | 15.9 | 428 | 401 | 6.6 |

(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 2022 (a) | 2nd Quarter 2021 (b) | % Change | 1st Half 2022 (a) | 1st Half 2021 (b) | % Change |
|---|---|---|---|---|---|---|
| **Equity Free Cash Flow** | 37 | (106) | — | 338 | 363 | (6.9) |
| **Equity Free Cash Flow After Lease** | (107) | (218) | (50.9) | 16 | 89 | (82.0) |
| **Adjusted Net Financial Debt [2]** | | | | 24,654 | 22,072 | 11.7 |
| **Net Financial Debt After Lease[2]** | | | | 19,269 | 17,415 | 10.6 |

(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.

# COMPLEX CONTRACTS

As detailed in the 2021 Financial Report, some contracts for the supply of multimedia contents in connection with the current partnerships, including that between TIM and DAZN, have highlighted a comprehensive negative margin throughout the entire contract duration, with the need to make a provision for a total of 548 million euros for posting a contractual risk provision for onerous contracts at December 31, 2021.

Starting 2022, use of the aforementioned Provision over the contractual term makes it possible to offset the negative item of the margin (EBITDA) - referring to both the operating performance of the business and commitments in terms of prices that TIM is contractually obliged to pay to counterparties - thereby obtaining null EBIT (organic or operative margin) for the contents business.

Below are:

- the amount used 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) | 1st Half 2022 | |
|---|---|---|
| | TIM Group | Domestic Business Unit |
| **ORGANIC EBITDA (including use of the risk provision for onerous contracts)** | **2,950** | **2,130** |
| - Use of the risk provision for onerous contracts to cover the negative margin | (329) | (329) |
| **ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)** | **2,621** | **1,801** |

The amount of 329 million euros is therefore the negative margin, for which the provision was used. As far as the portion relating to the football contract with DAZN is concerned, this amount includes both the operating performance of the business and the component linked to the prices that TIM is contractually obliged to pay to DAZN, which is recorded at the end of each football season (June 30, each year), at the same time as use of the related provision set aside.

From a financial viewpoint, the negative margin covered by the Risks Provision has an equal impact on the Net Financial Position and cash flows. For the DAZN contract, TIM is contractually obliged to pay advance installments for each year (July 1-June 30, corresponding to each championship season).

Finally, it should be noted that in August 2022, TIM and DAZN reached a new agreement that - in amending the clauses previously in place - allows DAZN to distribute football rights to show the TIM Serie A championship matches through any third party, surpassing the previous system of TIM exclusivity. TIM has informed the Antitrust Authority that the new agreement has been reached. The new contractual structure will have no impact on TIM customers, who will continue to watch matches through TimVision, the most advantageous streaming platform with the best selection of content available on the market. At the same time, the objective is achieved of distributing rights over multiple platforms with a view to developing a more sustainable economic model that would also be less volatile.

The existing valuation of the Provision for onerous contracts takes the new scenario into account. The Provision at June 30, 2022 came to 221 million euros.

With reference to the multi-year contracts for multimedia contents, which in some cases require TIM to pay the counterparty prices by way of guaranteed minimum, it should be recalled that the valuation of these contracts and the estimation of the associated costs is subject to numerous uncertainties that include, amongst others, market dynamics, rulings by the market regulatory authorities and the development of new technologies in support of the service. These estimates are revised from time to time on the basis of the final data in order to make sure that the provisional figures remain within the reasonably foreseeable range. Not all the factors mentioned are under the company's control hence they could have a significant impact on future forecasts regarding the performance of the contracts, the estimated amount of (positive or negative) margins and the cash flows that are generated.

# TIM's contribution to the digital and sustainable transformation for people, businesses and organizations

Connectivity and digital solutions are today essential. The way we work, study, take care of ourselves, have fun and live has changed completed, with increasing attention being paid to sustainable aspects. In the first six months of 2022, the TIM Group has continued to support citizens, businesses and institutions along this route, providing tools and services for the digital and sustainable transformation.

## Infrastructure

At June 30, 2022, **over 94% of customers nationally on TIM fixed networks are reached by FTTH or FTTC networks**; in the white areas, the percentage stands at around 76%. Growth of TIM's FTTH coverage also continues, now having reached 28% of property units[1].

TIM's **4G** network covers more than **99% of the national population**, while TIM's **5G** network at June 30, 2022 reached **110 municipalities**.

In H1 2022, the volume of data handled on TIM's mobile ultrabroadband network grew by 47.8% compared with the same half of 2021.

Thanks to its fiber network, **Sparkle**, the TIM Group global operator, connects Europe, Africa, the Americas and Asia offering a transmission capacity of up to 100 Gbit/s for the bandwidth managed and 400 Gbit/s for IP transmission.

### Data Centers

**Noovle**, the TIM Group's cloud company and **Benefit Corporation**, has **16 data centers** developed according to the highest security, protection, operating and energy efficiency standards, which in the first half of 2022 handled 82.1 Pbyte of data volume.

Sparkle manages a network of **seven "Open Landing & Interconnection Hubs"**, latest generation neutral data centers for the connection of undersea cables and the interconnection of operators, OTTs and enterprises.

## Digital services for the production system

The TIM Group offers smart services for companies and the public administration, which contribute towards the well-being of society and environmental protection.

- **Cloud**: maximum efficiency and security in data management; energy savings and reduction of $CO_2$ emissions.
- **Smart working**: more efficient organization of work; reduction of traffic; less $CO_2$ and pollutant gases in the atmosphere.
- **Cybersecurity**: protection of the corporate computer systems; resilience for the digital economy.
- **Smart industry**: greater productivity for factories; lesser environmental impact.
- **Smart agriculture**: more plentiful, less costly harvests; protection of natural resources.
- **Smart City**: More efficient public administration; simpler life for citizens.
- **Digital health**: efficiency of the health system; staying close to those needing treatment.

## Venture capital

During the first half of 2022, TIM Ventures, through the UV-Growth fund, invested 7.1 million euros in financing part of the fund's investment in Everli, a service company focused on the evolution of on-line shopping.

## Open innovation

In the first half of 2022, collaboration continued with the start-up **AWorld** for an awareness-raising initiative and engagement of TIM employees on sustainable living topics. In particular, from April 22 to June 22, the second **Act4Green** challenge was launched, with the aim of saving 60,000 kWh in electricity; this target was easily surpassed with savings of 74,630 kWh. By way of acknowledgment of the investors' commitment, TIM will finance the installation of 13 photovoltaic lights in a village in Senegal.

## Brazil

**Connectivity**: TIM Brasil has the public commitment to extend 4G connectivity to all municipalities of Brazil by 2023. In June 2022, activation of 4G cover was completed in 100% of municipalities in the state of Minas Gerais, the second most populated municipality in the country with the greatest number of municipalities.

**Agricultural food**: TIM is the only company in the telco sector to be a member of the ConectarAGRO association. In the first half of 2022, TIM Brasil reached more than 7 million hectares of 4G coverage in rural areas and has a partnership with Agtech Garage, the start-up hub of LATAM Agribusiness, for the 5G network focused on the agricultural food industry.

**Digital Services**: TIM Brasil has created the first IoT Marketplace in Brazil, presenting solutions for agribusiness, smart cities, electrical utilities and Industry 4.0. During the first quarter of 2022, it launched MetaLoja, a new

[1] FTTH coverage refers to what are termed the "Technical property units" (UIT), which represent 24.3 million property units throughout national territory for which, over time, TIM has activated a retail or wholesale telephone, broadband or ultrabroadband line.

concept of store that integrates the real and the virtual world and signed a partnership with the educational group Kroton, to offer 100% digital courses.

**Digital Skills**: TIM Brasil undertakes to train more than 5,000 employees on digital competences by 2023, above all through the Journey to Cloud and the Agile Journey.

## Non-financial performance

In the new 2022-2024 Strategic Plan, TIM has strengthened its environmental, social and governance commitments, introducing new, more ambitious ESG objectives, confirming the pillars of climate strategy, circular economy, digital growth and gender equality, which will direct the initiatives in support of the achievement of objectives.

During the second quarter, the Company obtained the **scientific validation of its climate strategy by the Science Based Targets initiative**, the international organization which promotes the definition of measurable targets for reducing the climate footprint and validates them independently to support businesses in the transition towards a sustainable economy.

By 2030, TIM will have reduced the emissions deriving from the company's production business (Scope 1) and the purchase of electricity (Scope 2) by 75%, also thanks to the commitment made to purchase 100% renewable energy by 2025. In addition, by 2030, it will 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 validation of these reduction targets, calculated with respect to 2019, strengthens the Group's commitment to achieve carbon neutrality by 2030 and "net zero" emissions by 2040, in connection with the activities upstream and downstream of its production cycle.

# INTRODUCTION

*The Half-Year Financial Report at June 30, 2022 of the TIM Group was prepared in compliance with Article 154–ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance – TUF) 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, 2022 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, 2021, to which reference should be made, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2022.*

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

*Specifically, these alternative performance measures refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; Net financial debt carrying amount and adjusted net financial debt; Equity free cash flow. 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 Chapter on "Alternative performance measures" and the analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is provided.*

*As described in the 2021 TIM Group Consolidated Financial Statements, during the fourth quarter of 2021, TIM refined some aspects of the booking of certain commercial agreements concerning the sale of goods with deferred delivery. This refinement entailed, for the first, second and third quarters of 2021, the redetermination of the distribution over time of revenues and acquisition of goods and services. In connection with the foregoing, the economic data of the first half of 2021 has been restated, shown here to allow for comparison.*

*Lastly, the section entitled "Business Outlook for the year 2022" 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 Half-Year Financial Report 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 changes in the scope of consolidation during the first half of 2022, were the following:

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

During the first half of 2021, the main corporate transactions were as follows:

- *Noovle S.p.A. (Domestic Business Unit)*: starting January 1, 2021, the conferral has been effective to Noovle S.p.A. of the TIM S.p.A. business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing;
- *FiberCop S.p.A.; Flash Fiber S.r.l. (Domestic Business Unit)*: starting March 31, 2021, the conferral has been effective to FiberCop S.p.A. of the TIM S.p.A. business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive access services by means of the secondary copper and fiber network. At the same time, the purchase was completed by Teemo Bidco, an indirect subsidiary of KKR Global Infrastructure Investors III L.P., of 37.5% of FiberCop from TIM and Fastweb has subscribed FiberCop shares corresponding to 4.5% of the company's capital, through the conferral of the stake held in Flash Fiber, which was simultaneously incorporated into FiberCop;
- *TIM Tank S.r.l. (Other activities)*: on April 1, 2021, it was merged into Telecom Italia Ventures S.r.l. with accounting and tax effects backdated to January 1, 2021;
- *Telecom Italia Trust Technologies S.r.l. (Domestic Business Unit)*: starting April 1, 2021, the investment in the company was conferred by TIM S.p.A. to Olivetti S.p.A.;
- *TIM S.p.A. (Domestic Business Unit):* on June 30, 2021, the purchase of the BT Italia Business Unit was completed, offering services to public administration customers and small and medium business/enterprise (SMB/SME) customers. The purchase also included support for customers of the SMB Business Unit, supplied by Atlanet, the BT Contact Center of Palermo.

# CONSOLIDATED OPERATING PERFORMANCE

## Revenues

**Total TIM Group revenues** for the first half of 2022, amounted to **7,557 million euros**, +0.2% compared to the first half of 2021 (7,543 million euros). Excluding revenues from the Oi Group mobile business, acquired in Brazil, consolidated revenues would come to 7,480 million euros.

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

| (million euros) | 1st Half 2022 | | 1st Half 2021 | | Changes | | |
|---|---|---|---|---|---|---|---|
| | | % weight | | % weight | absolute | % | % organic excluding non-recurring |
| Domestic | 5,754 | 76.1 | 6,209 | 82.3 | (455) | (7.3) | (7.5) |
| Brazil | 1,819 | 24.1 | 1,348 | 17.9 | 471 | 34.9 | 15.4 |
| Other Operations | — | — | — | — | — | | |
| *Adjustments and eliminations* | *(16)* | *(0.2)* | *(14)* | *(0.2)* | *(2)* | | |
| **Consolidated Total** | **7,557** | **100.0** | **7,543** | **100.0** | **14** | **0.2** | **(2.9)** |

The organic change in the Group's consolidated revenues is calculated by excluding the effect of exchange rate changes[1] (+239 million euros), as well as any non-recurring items.

Revenues for the second quarter of 2022 totaled 3,913 million euros (3,815 million euros in the second quarter of 2021).

[1] The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.56056 for the Brazilian real in the first half of 2022 and 6.48919 in the first half of 2021; for the US dollar, the average exchange rates used were 1.09331 in the first half of 2022 and 1.20504 in the first half of 2021. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

## EBITDA

**TIM Group EBITDA** for the first half of 2022 came to **2,658 million euros** (2,753 million euros in the first half of 2021, -3.5% in reported terms, -10.8% in organic terms). Excluding the results of the Oil Group mobile business acquired in Brazil, consolidated EBITDA would come to 2,618 million euros.

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

| (million euros) | 1st Half 2022 | | 1st Half 2021 | | Changes | | |
|---|---|---|---|---|---|---|---|
| | | % weight | | % weight | absolute | % | % organic excluding non-recurring |
| Domestic | 1,854 | 69.8 | 2,129 | 77.3 | (275) | (12.9) | (17.3) |
| *% of Revenues* | *32.2* | | *34.3* | | | *(2.1)pp* | *(4.4) pp* |
| Brazil | 813 | 30.6 | 630 | 22.9 | 183 | 29.0 | 11.8 |
| *% of Revenues* | *44.7* | | *46.7* | | | *(2.0)pp* | *(1.6) pp* |
| Other Operations | (8) | (0.4) | (4) | (0.1) | (4) | | |
| *Adjustments and eliminations* | *(1)* | *—* | *(2)* | *(0.1)* | *1* | | |
| **Consolidated Total** | **2,658** | **100.0** | **2,753** | **100.0** | **(95)** | **(3.5)** | **(10.8)** |

**Organic EBITDA - net of the non-recurring items** amounted to **2,950 million euros**; the EBITDA margin was 39.0% (3,308 million euros in the first half of 2021, with an EBITDA margin of 42.5%).

EBITDA for the first half of 2022 is 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.

During the first half of 2021, the TIM Group had recorded non-recurring charges for a total of 448 million euros mainly relating to employee benefits expenses also linked to the application of Art. 4 of Italian Law no. 92 of June 28, 2012, as well as provisions made for disputes, settlements, regulatory sanctions and potential liabilities related to them, expenses related to agreements and the development of non-recurring projects and expenses connected with the COVID-19 emergency, mainly for provisions made for managing credits and the expected worsening of the Expected Credit Loss by some customers.

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

| (million euros) | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|
| | | | absolute | % |
| **EBITDA** | **2,658** | **2,753** | **(95)** | **(3.5)** |
| Foreign currency financial statements translation effect | | 107 | (107) | |
| Non-recurring expenses/(income) | 292 | 447 | (155) | |
| Effect of translating non-recurring expenses/(income) in currency | | 1 | (1) | |
| **ORGANIC EBITDA excluding non-recurring items** | **2,950** | **3,308** | **(358)** | **(10.8)** |
| *% of Revenues* | *39.0* | *42.5* | *(3.5)pp* | |

Exchange rate fluctuations mainly related to the Brazil Business Unit.

**Organic EBITDA excluding the use of the risk provisions for onerous contracts** came to 2,621 million euros during the first half of 2022.

The EBITDA of the second quarter of 2022 totaled 1,342 million euros (1,593 million euros in the second quarter of 2021).

Organic EBITDA net of the non-recurring component in the second quarter of 2021 totaled 1,563 million euros (1,708 million euros in the second quarter of 2021).

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

- **Acquisition of goods and services (3,385 million euros; 3,113 million euros in the first half of 2021):**

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Acquisition of goods | 558 | 653 | (95) |
| Revenues due to other TLC operators and costs for telecommunications network access services | 637 | 642 | (5) |
| Commercial and advertising costs | 678 | 533 | 145 |
| Professional and consulting services | 143 | 113 | 30 |
| Power, maintenance and outsourced services | 669 | 379 | 290 |
| Lease and rental costs | 392 | 274 | 118 |
| Other | 308 | 519 | (211) |
| **Total acquisition of goods and services** | **3,385** | **3,113** | **272** |
| *% of Revenues* | *44.8* | *41.3* | *3,5pp* |

The increase mainly refers to the Brazil Business Unit (+254 million euros, including an exchange gain of 84 million euros) and the Domestic Business Unit (+17 million euros).

- **Employee benefits expenses (1,554 million euros; 1,715 million euros in the first half of 2021):**

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| **Employee benefits expenses - Italy** | **1,398** | **1,592** | **(194)** |
| Ordinary employee expenses and costs | 1,138 | 1,257 | (119) |
| Restructuring and other expenses | 260 | 335 | (75) |
| **Employee benefits expenses – Outside Italy** | **156** | **123** | **33** |
| Ordinary employee expenses and costs | 154 | 123 | 31 |
| Restructuring and other expenses | 2 | — | 2 |
| **Total employee benefits expenses** | **1,554** | **1,715** | **(161)** |
| *% of Revenues* | *20.6* | *22.7* | *(2.1)pp* |

The decrease of 161 million euros was mainly driven by:

- the reduction of 119 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 a total of -2,880 average employees, of whom an average of -2,639 deriving from the application of the Expansion Contract);
- the reduction of 75 million euros in the item "Restructuring and other expenses" of the Italian component. At June 30, 2022, a provision was 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. on June 7, 2022 and by Telecom Italia Sparkle on July 1, 2022. During the first half of 2021, "Corporate restructuring expenses and other costs" were 335 million euros;
- the greater cost of 33 million euros in the foreign component mainly related to the balance of the impact of the exchange rate change and the local salary dynamics of the Brazil Business Unit.

TIM Group **headcount** at June 30, 2022 stood at 52,023, of whom 42,620 in Italy (51,929 at December 31, 2021, of whom 42,347 in Italy), with an increase of 94 units on December 31, 2021 (+273 units in Italy, following new hires aimed at strengthening strategic skills, particularly for new technology and supporting the business evolution on the growing adjacent markets (cloud, data center, cybersecurity); - 179 units abroad (Brazil)).

- **Other operating income (78 million euros; 169 million euros in the first half of 2021):**

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Late payment fees charged for telephone services | 20 | 20 | — |
| Recovery of employee benefit expenses, purchases and services rendered | 5 | 6 | (1) |
| Capital and operating grants | 16 | 17 | (1) |
| Damages, penalties and recoveries connected with litigation | 15 | 6 | 9 |
| Estimate revisions and other adjustments | 12 | 44 | (32) |
| Special training income | — | 63 | (63) |
| Other | 10 | 13 | (3) |
| **Total** | **78** | **169** | **(91)** |

- **Other operating expenses (342 million euros; 424 million euros in the first half of 2021):**

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Write-downs and expenses in connection with credit management | 107 | 144 | (37) |
| Provision charges | 23 | 24 | (1) |
| TLC operating fees and charges | 114 | 92 | 22 |
| Indirect duties and taxes | 54 | 51 | 3 |
| Penalties, settlement compensation and administrative fines | 10 | 80 | (70) |
| Association dues and fees, donations, scholarships and traineeships | 7 | 6 | 1 |
| Other | 27 | 27 | — |
| **Total** | **342** | **424** | **(82)** |

The reduction refers to the Domestic Business Unit (-113 million euros) and includes a non-recurring item of 3 million euros, partly offset by the increase attributable to the Brazil Business Unit for 28 million euros (including an exchange gain of 24 million euros).

Note that "Write-downs and expenses in connection with credit management" shows a reduction of 37 million euros compared with the same period of 2021.

The non-recurring item of the first half of 2021, amounting to 86 million euros, mainly referred to provisions and charges of the Domestic Business Unit connected with disputes, transaction, expenses for regulatory sanctions and expenses related to agreements and the development of non-recurring projects in addition to provisions and expenses connected with credit management in connection with the COVID-19 emergency.

### Depreciation and amortization

In the first half of 2022 this item amounted to 2,295 million euros (2,268 million euros in the first half of 2021) and breaks down as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Amortization of intangible assets with a finite useful life | 734 | 804 | (70) |
| Depreciation of tangible assets | 1,154 | 1,125 | 29 |
| Amortization of rights of use assets | 407 | 339 | 68 |
| **Total** | **2,295** | **2,268** | **27** |

### Net impairment losses on non-current assets

There were none in both the first half of 2022 and the first half of 2021.

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, 2022, the company deemed it appropriate to carry 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 2022.

Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2022 of the TIM Group.

## EBIT

**TIM Group EBIT** for the first half of 2022 was **397 million euros** (484 million euros in the first half of 2021).

**Organic EBIT, net of the non-recurring component**, amounted to **689 million euros** (964 million euros for the first half of 2021), with an EBIT margin of 9.1% (12.4% for the first half of 2021).

Organic EBIT, net of the non-recurring component, is calculated as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|
| | | | absolute | % |
| **EBIT** | **397** | **484** | **(87)** | **(18.0)** |
| Foreign currency financial statements translation effect | | 32 | (32) | |
| Non-recurring expenses/(income) | 292 | 447 | (155) | |
| Effect of translating non-recurring expenses/(income) in currency | | 1 | (1) | |
| **ORGANIC EBIT - excluding Non-recurring items** | **689** | **964** | **(275)** | **(28.5)** |

The EBIT of the second quarter of 2022 totaled 188 million euros (+456 million euros in the second quarter of 2021).

Organic EBIT net of the non-recurring component in the second quarter of 2022 totaled 409 million euros (524 million euros in the second quarter of 2021).

### Finance income (expenses), net

Finance income/(expenses) show a net expense of 686 million euros (negative for 582 million euros in H1 2021). The increase is essentially due to the dynamic of interest rates that impacted the performance of the Mark-to-Market of hedging derivatives (in any case this is a valuation change in non-monetary and accounting items) and in connection with Brazil, expenses above all linked to the increase in debt exposure of the IFRS 16 lease component.

### Income tax expense

In the first half of 2022, the item has a negative balance for a total of 102 million euros (positive for 7 million euros in the first half of 2021) and mainly refers to FiberCop and the Brazil Business Unit.

## Profit (loss) for the period

This item breaks down as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| **Profit (loss) for the period** | **(360)** | **(57)** |
| Attributable to: | | |
| **Owners of the Parent:** | | |
| Profit (loss) from continuing operations | (483) | (149) |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | — | — |
| **Profit (loss) for the period attributable to owners of the Parent** | **(483)** | **(149)** |
| **Non-controlling interests:** | | |
| Profit (loss) from continuing operations | 123 | 92 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | — | — |
| **Profit (loss) for the period attributable to Non-controlling interests** | **123** | **92** |

**Net profit attributable to Owners of the Parent for the first half of 2022** was a loss of -483 million euros (-149 million euros in the first half of 2021); excluding the impact of non-recurring items, the net profit for the first half of 2022 is -196 million euros (in the first half of 2021 it was positive for 195 million euros).

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, 2022 of the TIM Group.

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

## Domestic

| (million euros) | 1st Half 2022 (a) | 1st Half 2021 (b) | Changes (a-b) absolute | % | % organic excluding non-recurring |
|---|---|---|---|---|---|
| Revenues | 5,754 | 6,209 | (455) | (7.3) | (7.5) |
| EBITDA | 1,854 | 2,129 | (275) | (12.9) | (17.3) |
| *% of Revenues* | *32.2* | *34.3* | | *(2.1)pp* | *(4.4)pp* |
| EBIT | 146 | 296 | (150) | (50.7) | (43.0) |
| *% of Revenues* | *2.5* | *4.8* | | *(2.3)pp* | *(4.6)pp* |
| Headcount at period-end (number) (°) | 42,864 | (*)42,591 | 273 | 0.6 | |

(°) Includes 20 agency contract workers at June 30, 2022 (16 at December 31, 2021)
(*) Headcount at December 31, 2021

| (million euros) | 2nd Quarter 2022 (a) | 2nd Quarter 2021 (b) | Changes (a-b) absolute | % | % organic excluding non-recurring |
|---|---|---|---|---|---|
| Revenues | 2,908 | 3,132 | (224) | (7.2) | (7.4) |
| EBITDA | 892 | 1,271 | (379) | (29.8) | (16.3) |
| *% of Revenues* | *30.7* | *40.6* | | *(9.9)pp* | *(4.0)pp* |
| EBIT | 54 | 356 | (302) | (84.8) | (34.3) |
| *% of Revenues* | *1.9* | *11.4* | | *(9.5)pp* | *(3.7)pp* |

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

### Fixed

| | 6/30/2022 | 12/31/2021 | 6/30/2021 |
|---|---|---|---|
| Total TIM Retail accesses (thousands | 8,765 | 8,647 | 8,765 |
| *of which NGN* (1) | *4,926* | *5,186* | *4,926* |
| Total TIM Wholesale accesses (thousands) | 7,659 | 7,729 | 7,822 |
| *of which NGN* | *5,110* | *4,819* | *4,516* |
| Active BroadBand accesses of TIM Retail (thousands) | 7,564 | 7,733 | 7,783 |
| Consumer ARPU (€/month) (2) | 28.4 | 30.1 | 31.1 |
| BroadBand ARPU (€/month) (3) | 33.9 | 33.4 | 32.6 |

(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**

| | 6/30/2022 | 12/31/2021 | 6/30/2021 |
|---|---|---|---|
| Lines at period end (thousands) | 30,427 | 30,466 | 30,317 |
| *of which Human* | *18,620* | *19,054* | *19,306* |
| *Churn rate (%)* (4) | 6.9 | 14.7 | 7.5 |
| *BroadBand users (thousands)* (5) | 12,717 | 12,783 | 12,853 |
| Retail ARPU (€/month) (6) | 7.0 | 7.5 | 7.5 |
| Human ARPU (€/month) (7) | 11.4 | 11.7 | 11.6 |

(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 5,754 million euros, down 455 million euros (-7.3%) compared to the first half of 2021. In organic terms, they reduce by 469 million euros (-7.5% on H1 2021).

Revenues from stand-alone services come to 5,283 million euros (-268 million euros compared to the first half of 2021, -4.8%) and suffer the impact of the competition on the customer base, as well as a reduction in ARPU levels; in organic terms, they drop by 282 million euros compared to the first half of 2021 (-5.1%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 4,076 million euros in organic terms, with a negative change with respect to the first half of 2021 (-5.4%) mainly due to the decrease in accesses and ARPU levels and the presence in the first half of 2021 of non-repeatable transactions on the Wholesale segment, partly offset by the growth in revenues from ICT solutions (+110 million euros compared to H1 2021, 18.4%);
- **revenues from stand-alone Mobile market services** came to 1,479 million euros (-61 million euros on H1 2021, -4.0%), mainly due to the reduction in the customer base connected with Human lines and ARPU levels.

**Revenues for Handset and Bundle & Handset**, including the change in work in progress, are equal, in organic terms, to 471 million euros for the first half of 2022, a decrease of 187 million euros compared to the first half of 2021, for the most part attributable to the Fixed segment.

Details of revenues for the first half of 2022 for the Domestic Business Unit are presented in the following table, broken down by customer/business segment and compared to the first half of 2021.

| (million euros) | 2nd Quarter 2022 | 2nd Quarter 2021 | 1st Half 2022 | 1st Half 2021 | % Change | | | |
|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (a/b) | (c/d) | organic excluding non-recurring (a/b) | organic excluding non-recurring (c/d) |
| **Revenues** | **2,908** | **3,132** | **5,754** | **6,209** | **(7.2)** | **(7.3)** | **(7.4)** | **(7.5)** |
| Consumer | 1,177 | 1,289 | 2,340 | 2,636 | (8.7) | (11.2) | (8.7) | (11.2) |
| Business | 1,008 | 1,016 | 1,979 | 1,999 | (0.8) | (1.0) | (0.8) | (1.0) |
| Wholesale National Market | 479 | 572 | 958 | 1,105 | (16.1) | (13.3) | (16.1) | (13.3) |
| Wholesale International Market | 245 | 250 | 484 | 468 | (2.0) | 3.4 | (5.4) | 0.4 |
| Other | (1) | 5 | (7) | 1 | | | | |

The performance of the individual market segments of the Domestic Business Unit compared to the first half 2021 was as follows:

- **Consumer**: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony, caring and the administrative management of customers; it includes the company TIM Retail, which coordinates the activities of its stores. In organic terms, the revenues of the Consumer segment totaled 2,340 million euros (-296 million euros, -11.2%) and show a trend, compared to H1 2021, affected by the challenging competition. The trend seen in total revenues also applied to revenues from services, which amounted to 2,099 million euros, down by 195 million euros compared to the first half of 2021 (-8.5%). In particular:
  - revenues from Mobile services totaled, in organic terms, 915 million euros (-55 million euros, -5.6% compared to the first half of 2021). 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 totaled, in organic terms, 1,197 million euros (-146 million euros, -10.9% compared to the first half of 2021), primarily due to lower ARPU levels and the smaller Customer Base, which in H1 2021 benefited from government incentive programs such as voucher recognition for ISEE incomes below 20,000 euros. Growth in ultrabroadband customers is highlighted.

**Handset and Bundle & Handset revenues** of the Consumer segment came to 241 million euros, down by 101 million euros on H1 2021 (-29.5%); the difference is mainly due to a major decline in the demand for connectivity post-COVID-19 and the end of sales linked to government incentive programs, such as recognition of vouchers for ISEE income of less than 20,000 euros.

- **Business**: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets. The following companies are included: Olivetti, TI Trust Technologies and Telsy and the Noovle Group. In organic terms, revenues for the Business segment amounted to 1,979 million euros (-20 million euros compared to the first half of 2021, -1.0%, of which +1.3% for revenues from the stand-alone services component). In particular:
  - **total Mobile market revenues** showed a negative organic performance compared to H1 2021 (-1.4%), due to the negative contribution of revenues from stand-alone services (-2.0%);
  - **total Fixed revenues** in organic terms changed by -15 million euros compared to H1 2021 (-0.9%), generated by the reduction in sales revenues; revenues from services grew by 2.2%, mainly driven by the increase in revenues from ICT services.
- **Wholesale National Market**: the segment 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 Telefonia Mobile Sammarinese. The Wholesale National Market segment revenues in the first half of 2022 reached 958 million euros, down by 147 million euros (-13.3%) compared to the first half of 2021, with a negative performance mainly driven by the presence, in the first half of 2021, of non-repeatable transactions.
- **Wholesale International Market**: 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 of the first half of 2022 from the Wholesale International Market segment come to 484 million euros, up (+16 million euros, +3.4%) on the first half of 2021. This positive result is due to both sales of services and sales of fiber/products.
- **Other:** includes:
  - **Other Operations units**: covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties; and the company FiberCop S.p.A.;
  - **Staff & Other**: services provided by the Staff Departments and other support activities carried out by minor companies.

## EBITDA

**Domestic Business Unit EBITDA for H1 2022** totaled 1,854 million euros (-275 million euros compared to the first half of 2021, -12.9%), with a margin of 32.2% (-2.1 percentage points compared to the same period of 2021).

**Organic EBITDA, net of the non-recurring component**, amounted to 2,130 million euros (-446 million euros compared to the first half of 2021, -17.3%). In particular, EBITDA for H1 2022 was impacted by non-recurring items in the amount of 276 million euros, whilst H1 2021 reflected a total impact of 445 million euros referring to non-recurring items, of which 18 million euros related to the COVID-19 emergency in Italy.

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

| (million euros) | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|
| | | | absolute | % |
| **EBITDA** | **1,854** | **2,129** | **(275)** | **(12.9)** |
| Foreign currency financial statements translation effect | | 2 | (2) | |
| Non-recurring expenses (Income) | 276 | 445 | (169) | |
| **ORGANIC EBITDA excluding non-recurring items** | **2,130** | **2,576** | **(446)** | **(17.3)** |

EBITDA in Q2 2022 was 892 million euros, (-379 million euros compared with the corresponding period of 2021, -29.8%).

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

Regarding the dynamics for the main items, the following are worthy of note:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Acquisition of goods and services | 2,637 | 2,620 | 17 |
| Employee benefits expenses | 1,410 | 1,604 | (194) |
| Other operating expenses | 167 | 280 | (113) |

In particular:

- **Other operating income** amounted to 69 million euros with a decrease of 94 million euros compared to the first half of 2021:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Late payment fees charged for telephone services | 14 | 15 | (1) |
| Recovery of employee benefit expenses, purchases and services rendered | 5 | 6 | (1) |
| Capital and operating grants | 15 | 16 | (1) |
| Damages, penalties and recoveries connected with litigation | 14 | 6 | 8 |
| Estimate revisions and other adjustments | 12 | 44 | (32) |
| Income for special training activities | — | 63 | (63) |
| Other income | 9 | 13 | (4) |
| **Total** | **69** | **163** | **(94)** |

- **Acquisition of goods and services** amounted to 2,637 million euros with a decrease of 17 million euros compared to the first half of 2021:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Acquisition of goods | 470 | 604 | (134) |
| Revenues due to other TLC operators and interconnection costs | 561 | 584 | (23) |
| Commercial and advertising costs | 454 | 369 | 85 |
| Professional and consulting services | 65 | 71 | (6) |
| Power, maintenance and outsourced services | 561 | 296 | 265 |
| Lease and rental costs | 254 | 203 | 51 |
| Other | 272 | 493 | (221) |
| **Total acquisition of goods and services** | **2,637** | **2,620** | **17** |
| *% of Revenues* | *45.8* | *42.2* | *3.6* |

- **Employee benefits expenses** amounted to 1,410 million euros with a decrease of 194 million euros compared to the first half of 2021.

- **Other operating expenses** amounted to 167 million euros with a decrease of 113 million euros compared to the first half of 2021:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| Write-downs and expenses in connection with credit management | 54 | 101 | (47) |
| Provision charges | 11 | 9 | 2 |
| TLC operating fees and charges | 22 | 21 | 1 |
| Indirect duties and taxes | 46 | 42 | 4 |
| Penalties, settlement compensation and administrative fines | 10 | 80 | (70) |
| Association dues and fees, donations, scholarships and traineeships | 5 | 5 | — |
| Sundry expenses | 19 | 22 | (3) |
| **Total** | **167** | **280** | **(113)** |

**Other operating expenses** for the first half of 2022 include a non-recurring item of 3 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 47 million euros compared with the same period of 2021.

The non-recurring component of the first half of 2021, amounting to 86 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

## EBIT

**Domestic Business Unit EBIT for H1 2022** totaled 146 million euros (-150 million euros compared to the first half of 2021), with a margin of 2.5% (-2.3 percentage points compared to the first half of 2021).

**Organic EBIT, net of the non-recurring component**, amounted to 422 million euros (-319 million euros compared to the first half of 2021, -43.0%), with an EBIT margin of 7.3% (11.9% for the first half of 2021).

Organic EBIT, net of the non-recurring component, is calculated as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|
| | | | absolute | % |
| **EBIT** | **146** | **296** | **(150)** | **(50.7)** |
| Non-recurring expenses (Income) | 276 | 445 | (169) | |
| **ORGANIC EBIT excluding non-recurring items** | **422** | **741** | **(319)** | **(43.0)** |

EBIT in Q2 2022 was 54 million euros, (-302 million euros compared with Q2 2021).

# Brazil

| | (million euros) | | (million Brazilian reais) | | Changes | | |
|---|---|---|---|---|---|---|---|
| | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | absolute | % | % organic excluding non-recurring |
| | (a) | (b) | (c) | (d) | (c-d) | (c-d)/d | |
| Revenues | 1,819 | 1,348 | 10,095 | 8,747 | 1,348 | 15.4 | 15.4 |
| EBITDA | 813 | 630 | 4,512 | 4,086 | 426 | 10.4 | 11.8 |
| *% of Revenues* | *44.7* | *46.7* | *44.7* | *46.7* | | *(2.0)pp* | *(1.5)pp* |
| EBIT | 260 | 194 | 1,449 | 1,256 | 193 | 15.4 | 19.7 |
| *% of Revenues* | *14.4* | *14.4* | *14.4* | *14.4* | | *0.0pp* | *0,6pp* |
| Headcount at period-end (number) | | | 9,147 | (°)9,325 | (178) | (1.9) | |

(°) Headcount at December 31, 2021.

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 euro) were 5.56056 in the first half of 2022 and 6.48919 in the first half of 2021.

| | (million euros) | | (million Brazilian reais) | | Changes | | |
|---|---|---|---|---|---|---|---|
| | 2nd Quarter 2022 | 2nd Quarter 2021 | 2nd Quarter 2022 | 2nd Quarter 2021 | absolute | % | % organic excluding non-recurring |
| | (a) | (b) | (c) | (d) | (c-d) | (c-d)/d | |
| Revenues | 1,013 | 690 | 5,368 | 4,407 | 961 | 21.8 | 21.8 |
| EBITDA | 457 | 326 | 2,421 | 2,078 | 343 | 16.5 | 18.2 |
| *% of Revenues* | *45.1* | *47.2* | *45.1* | *47.2* | | *(2.1)pp* | *(1.4)pp* |
| EBIT | 140 | 104 | 746 | 664 | 82 | 12.3 | 17.6 |
| *% of Revenues* | *13.9* | *15.1* | *13.9* | *15.1* | | *(1.2)pp* | *(0.6)pp* |

| | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Lines at period end (thousands) (*) | 68,695 | (1) 52,066 |
| Mobile ARPU (reais) | 26.5 | 25.6 |

(1) Number at December 31, 2021.
(*) 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.

## Acquisition of the Oi Group mobile business

On April 20, 2022, TIM S.A. (Brazilian subsidiary of the TIM Group), Telefônica Brasil S.A. and Claro S.A., after having fulfilled the conditions established by the Conselho Administrativo de Defesa Econômica (CADE) and the Agência Nacional de Telecomunicações (ANATEL), concluded the acquisition of the mobile telephone assets of Oi Móvel S.A. - Em Recuperação Judicial.

With the conclusion of the transaction, TIM S.A. now holds 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. ("SPE Cozani"), a company that corresponds to part of the assets, rights and obligations of Oi Móvel acquired by the company.

In particular, TIM S.A. has been allocated:

- approx. 16 million customers;
- approx. 49 MHz;
- approx. 7.2 thousand mobile access sites

The transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole TIM Group and its shareholders as it will accelerate its growth and increase operating efficiency through relevant synergies. In addition, positive effects are also expected for customers, since improvements in user experience and in the quality of the services offered are expected from the transaction.

## Revenues

**Revenues** for the first half of 2022 **of the Brazil Business Unit (TIM Brasil group)** amounted to 10,095 million reais (8,747 million reais on the first half of 2021, +15,4%), speeding up on the levels recorded from the third quarter of 2021. Excluding revenues from the mobile business of the Oi Group (Cozani, acquired on April 20, 2022) revenues from the first half of 2022 are 9,689 million reais.

The acceleration has been driven by **service revenues** (9,785 million reais vs 8,495 million reais for the first half of 2021, +15.2%) with mobile telephony service revenues growing 15.8% on the first half of 2021. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenues from fixed services have grown by 6.4% compared to the first half of 2021, determined above all by the growth rate of TIM Live.

**Revenues from product sales** totaled 310 million reais (252 million reais for the first half of 2021).

Revenues in Q2 2022 totaled 5,368 million reais, increased by 21.8% on the second quarter of 2021 (4,407 million reais).

The **mobile ARPU** for the first half of 2022 was 26.5 reais, up from the figure recorded in the first half of 2021 (25.6 reais) thanks to general repositioning in the post-paid segment and new commercial initiatives intended to promote the use of data and average expenditure per customer.

**Total mobile lines in place at June 30, 2022** amounted to 68.7 million, +16.6 million compared to December 31, 2021 (52.1 million). This variation was mainly driven by the pre-paid segment (+9.7 million), and the post-paid segment (+6,9 million), partly due to the consolidation underway in the market for second SIM cards. Post-paid customers represented 43.4% of the customer base as of June 30, 2022 (43.9% at December 2021).

The TIM Live broadband business recorded net positive growth in the customer base at June 30, 2022 of 33 thousand users, +4,9% compared to June 30, 2021. In addition, the customer base continues to be concentrated on high-speed connections, with more than 50% exceeding 100Mbps.

## EBITDA

**EBITDA** in the first half of 2022 was 4,512 million reais (4,086 million reais in the first half of 2021, +10.4%) and the margin on revenues was 44.7% (46.7% in the first half of 2021).

EBITDA in the first half of 2022 reflects the non-recurring charges of 71 million reais mainly related to the development of non-recurring projects and the corporate reorganization processes.

**Organic EBITDA, net of the non-recurring item**, increased by 11.8% and was calculated as follows:

| (million Brazilian reais) | 1st Half 2022 | 1st Half 2021 | Changes absolute | Changes % |
|---|---|---|---|---|
| EBITDA | 4,512 | 4,086 | 426 | 10.4 |
| Non-recurring expenses/(income) | 71 | 14 | 57 | |
| ORGANIC EBITDA excluding non-recurring items | 4,583 | 4,100 | 483 | 11.8 |

The increase of EBITDA is due to the greater revenues as well as the consolidation of Cozani (212 million reais).

The relative margin on revenues, in organic terms, comes to 45.4% (46.9% during the first half of 2021).

EBITDA for the second quarter of 2022, amounted to 2,421 million reais, up 16.5% compared to the second quarter of 2021 (2,078 million reais).

Net of non-recurring charges, the margin on revenues for the second quarter of 2022 was 46.1% (47.5% in the second quarter of 2021).

The changes in the main cost items are shown below:

| | (million euros) | | (million Brazilian reais) | | |
|---|---|---|---|---|---|
| | 1st Half 2022 (a) | 1st Half 2021 (b) | 1st Half 2022 (c) | 1st Half 2021 (d) | Change (c-d) |
| Acquisition of goods and services | 756 | 502 | 4,199 | 3,260 | 939 |
| Employee benefits expenses | 143 | 110 | 797 | 715 | 82 |
| Other operating expenses | 171 | 143 | 944 | 927 | 17 |
| Change in inventories | (13) | 3 | (78) | 21 | (99) |

## EBIT

**EBIT** for the first half of 2022 amounted to 1,449 million reais (1,256 million reais for the first half of 2021, +15.4%).

**Organic EBIT, net of the non-recurring item**, in the first half of 2022 amounted to 1,520 million reais (1,270 million reais in the first half of 2021), with a margin on revenues of 15.1% (14.5% in the first half of 2021).

Organic EBIT, net of the non-recurring component, is calculated as follows:

| (million Brazilian reais) | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|
| | | | absolute | % |
| EBIT | 1,449 | 1,256 | 193 | 15.4 |
| Non-recurring expenses/(income) | 71 | 14 | 57 | |
| ORGANIC EBIT excluding non-recurring items | 1,520 | 1,270 | 250 | 19.7 |

The EBIT of the second quarter of 2022 totaled 746 million reais (664 million reais in the second quarter of 2021).

Net of non-recurring charges, the margin on revenues for the second quarter of 2022 was 14.8% (15.4% in the second quarter of 2021).

# CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

## Non-current assets

- **Goodwill**: increase by 441 million euros, from 18,568 million euros at December 31, 2021 to 19,009 million euros at June 30, 2022, mainly due to the posting of provisional Goodwill following the acquisition by the Brazil cash generating unit of part of the mobile business of Oil Movél S.A. (Oi Group) for 371 million euros (1,951 million reais converted at the real/euro exchange rate of 5.25403). In addition, in the Domestic cash generating unit, an increase is recorded of 11 million euros in respect of the posting of provisional goodwill connected with the May 2022 acquisition of control by Olivetti S.p.A. of Mindicity S.r.l. (8 million euros) and the update of the price relating to the purchase by Olivetti S.p.A. of 100% of Staer Sistemi S.r.l., completed in September 2021 (3 million euros).

  In the first half of 2022, the exchange difference is positive for 59 million euros and relates to the goodwill attributed to the Brazil Cash Generating Unit[1].

  Further details are provided in the Notes "Business combinations" and "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2022 of the TIM Group.

- **Intangible assets with a finite useful life**: these increased by 752 million euros, from 7,147 million euros at the end of 2021 to 7,899 million euros at June 30, 2022, representing the balance of:
  - capex (+ 603 million euros);
  - amortization charge for the year (-734 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 883 million euros). Exchange gains are recorded for 228 million euros mainly in relation to the Brazil Business Unit; other changes refer to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022 (Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.).
- **Tangible assets**: these increased by 660 million euros, from 13,311 million euros at the end of 2021 to 13,971 million euros at June 30, 2022, representing the balance of:
  - capex (+1,277 million euros);
  - depreciation charge for the year (-1,154 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 587 million euros). Exchange gains are recorded for 276 million euros in relation to the Brazil Business Unit; other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022 (Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.).
- **Rights of use assets**: these increased by 707 million euros, from 4,847 million euros at the end of 2021 to 5,554 million euros at June 30, 2022, representing the balance of:
  - investments (+26 million euros) and increases in lease contracts (+376 million euros, mainly referring to the Brazil Business Unit);
  - amortization charge for the year (-407 million euros);
  - disposals, exchange differences and other changes (for a net positive balance of 712 million euros). Exchange gains are recorded for 192 million euros and mainly relate to the Brazil Business Unit; other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. and changes connected with the lesser value of the rights of use recorded as a result of contractual changes during the period.
- **Other non-current assets**: came to 8,258 million euros and reduced on December 31, 2021 by 2,986 million euros, mainly due to the reclassification under "Discontinued operations /Non-current assets held for sale" of the investment in INWIT following the probable forthcoming completion of the sale of a share held by TIM equal to 41% of the holding company Daphne 3 S.p.A., which currently, in turn, holds a 30.2% share in INWIT.

## Consolidated equity

Consolidated equity amounted to 22,525 million euros (22,039 million euros at December 31, 2021), of which 17,590 million euros attributable to Owners of the Parent (17,414 million euros at December 31, 2021) and 4,935 million euros attributable to non-controlling interests (4,625 million euros at December 31, 2021). In greater detail, the changes in consolidated equity were the following:

[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 5.44071 at June 30, 2022 and 6.32047 at December 31, 2021.

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| **Start of period** | **22,039** | **28,840** |
| Total comprehensive income (loss) for the period | 512 | (8,110) |
| Dividends approved by: | (28) | (373) |
| *TIM S.p.A.* | *—* | *(318)* |
| *Other Group companies* | *(28)* | *(55)* |
| FiberCop - capital increase | — | 1,750 |
| Daphne 3 - distribution of additional paid-in capital | — | (42) |
| Issue of equity instruments | 4 | 33 |
| Other changes | (2) | (59) |
| **End of period** | **22,525** | **22,039** |

# Cash flows

Adjusted net financial debt was equal to 24,654 million euros (22,187 million euros as of December 31, 2021).

The Group's H1 2022 **operating free cash flow** is positive for a net 353 million euros: operating cash generation, positive for 822 million euros, is counterbalanced by payments for the acquisition of rights of use of telecommunication service frequencies for 469 million euros. During the first half of 2021, operating free cash flow was positive for 819 million euros (+1,059 million euros operating cash generation against 240 million euros for the acquisition of rights of use of telecommunication service frequencies).

Moreover, 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 2022 (a) | 1st Half 2021 (b) | Change (a-b) |
|---|---|---|---|
| EBITDA | 2,658 | 2,753 | (95) |
| Capital expenditures on an accrual basis | (1,906) | (1,808) | (98) |
| Change in net operating working capital: | (261) | (96) | (165) |
| *Change in inventories* | *(37)* | *(55)* | *18* |
| *Change in trade receivables and other net receivables* | *77* | *134* | *(57)* |
| *Change in trade payables* | *(373)* | *(390)* | *17* |
| *Change in payables for mobile telephone licenses / spectrum* | *(380)* | *—* | *(380)* |
| *Other changes in operating receivables/payables* | *452* | *215* | *237* |
| *Change in provisions for employee benefits* | 241 | 256 | (15) |
| *Change in operating provisions and Other changes* | (379) | (286) | (93) |
| **Net operating free cash flow** | **353** | **819** | **(466)** |
| *% of Revenues* | *4.7* | *10.9* | *(6.2)pp* |
| Sale of investments and other disposals flow | 2 | 1,766 | (1,764) |
| Share capital increases/reimbursements, including incidental expenses | 7 | — | 7 |
| Financial investments | (1,771) | (66) | (1,705) |
| Dividends payment | (37) | (336) | 299 |
| Increases in lease contracts | (376) | (253) | (123) |
| Finance expenses, income taxes and other net non-operating requirements flow | (645) | (676) | 31 |
| **Reduction/(Increase) in adjusted net financial debt from continuing operations** | **(2,467)** | **1,254** | **(3,721)** |
| Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale | — | — | — |
| **Reduction/(Increase) in adjusted net financial debt** | **(2,467)** | **1,254** | **(3,721)** |

**Equity Free Cash Flow**

| (million euros) | 1st Half 2022 | 1st Half 2021 | Change |
|---|---|---|---|
| **Reduction/(Increase) in adjusted net financial debt from continuing operations** | **(2,467)** | **1,254** | **(3,721)** |
| Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+)) | 535 | 201 | 334 |
| Payment of TLC licenses and for the use of frequencies | 469 | 240 | 229 |
| Financial impact of acquisitions and/or disposals of investments | 1,771 | (1,668) | 3,439 |
| Dividend payment and Change in Equity | 30 | 336 | (306) |
| **Equity Free Cash Flow** | **338** | **363** | **(25)** |

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first half of 2022 was particularly impacted by the following:

## Capital expenditures and for mobile telephone licenses/spectrum

**Capital expenditures and expenses for mobile telephone licenses/spectrum** for the first half of 2022, were 1,906 million euros (1,808 million euros in the first half of 2021).

Capex is broken down as follows by operating segment:

| (million euros) | 1st Half 2022 | | 1st Half 2021 | | Change |
|---|---|---|---|---|---|
| | | % weight | | % weight | |
| Domestic | 1,478 | 77.5 | 1,465 | *81.0* | 13 |
| Brazil | 428 | 22.5 | 343 | *19.0* | 85 |
| Other Operations | — | — | — | — | — |
| Adjustments and eliminations | — | — | — | — | — |
| **Consolidated Total** | **1,906** | **100.0** | **1,808** | **100.0** | **98** |
| *% of Revenues* | *25.2* | | *24.0* | | *1,2pp* |

In particular:

- the **Domestic Business Unit** posts capex for 1,478 million euros, up 13 million euros in organic terms compared to the first half of 2021, mainly due to the development of the FTTC/FTTH networks;
- the **Brazil Business Unit** posted capital expenditures in the first half of 2022 of 428 million euros (343 million euros for the first half of 2021). Excluding the impact of changes in exchange rates (+58 million euros), capex was essentially stable as compared with the first half of 2021.

## Change in net operating working capital

The change in net operating working capital for H1 2022 reflects a change of -261 million euros (-96 million in H1 2021), mainly as a consequence of the change in trade payables and for mobile telephone licenses/spectrum (-753 million euros), partly offset by the positive change in other operating receivables/payables (+452 million euros).

## Change in provisions for employee benefits

In H1 2022, provisions for employee benefits rose by 241 million euros, essentially due 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. on June 7, 2022 and by Telecom Italia Sparkle on July 1, 2022.

## Financial investments

During the first half of 2022, they came to 1,771 million euros and mainly included the impacts deriving from the acquisition of 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., the company corresponding to the part of the assets, rights and obligations of Oi Móvel - Em Recuperação Judicial, purchased by the TIM Group.

## Increases in lease contracts

During the first half of 2022, the item came to 376 million euros (253 million euros during the first half of 2021) 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 2022, the flow has a negative balance for a total of 645 million euros (negative for 676 million euros in the first half of 2021). It mainly includes outflows relating to financial management components, as well as the payment of income taxes 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 2022 resulted in a positive effect on the adjusted net financial debt at June 30, 2022, amounting to 1,233 million euros (1,536 million euros at December 31, 2021); 1,367 million euros at June 30, 2021).

## Net financial debt

Net financial debt is composed as follows:

| (million euros) | 6/30/2022 (a) | 12/31/2021 (b) | Change (a-b) |
|---|---|---|---|
| **Non-current financial liabilities** | | | |
| Bonds | 16,414 | 17,383 | (969) |
| Amounts due to banks, other financial payables and liabilities | 5,348 | 6,054 | (706) |
| Non-current financial liabilities for lease contracts | 4,707 | 4,064 | 643 |
| | **26,469** | **27,501** | **(1,032)** |
| **Current financial liabilities (*)** | | | |
| Bonds | 1,683 | 3,512 | (1,829) |
| Amounts due to banks, other financial payables and liabilities | 2,085 | 2,433 | (348) |
| Current financial liabilities for lease contracts | 782 | 651 | 131 |
| | **4,550** | **6,596** | **(2,046)** |
| Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale | — | — | — |
| **Total Gross financial debt** | **31,019** | **34,097** | **(3,078)** |
| **Non-current financial assets** | | | |
| Securities other than investments | — | — | — |
| Non-current financial receivables arising from lease contracts | (50) | (45) | (5) |
| Financial receivables and other non-current financial assets | (1,961) | (2,285) | 324 |
| | **(2,011)** | **(2,330)** | **319** |
| **Current financial assets** | | | |
| Securities other than investments | (1,532) | (2,249) | 717 |
| Current financial receivables arising from lease contracts | (54) | (56) | 2 |
| Financial receivables and other current financial assets | (351) | (142) | (209) |
| Cash and cash equivalents | (2,391) | (6,904) | 4,513 |
| | **(4,328)** | **(9,351)** | **5,023** |
| Financial assets relating to Discontinued operations/Non-current assets held for sale | — | — | — |
| **Total financial assets** | **(6,339)** | **(11,681)** | **5,342** |
| **Net financial debt carrying amount** | **24,680** | **22,416** | **2,264** |
| *Reversal of fair value measurement of derivatives and related financial liabilities/assets* | *(26)* | *(229)* | *203* |
| **Adjusted Net Financial Debt** | **24,654** | **22,187** | **2,467** |
| *Breakdown as follows:* | | | |
| **Total adjusted gross financial debt** | **30,188** | **32,564** | **(2,376)** |
| **Total adjusted financial assets** | **(5,534)** | **(10,377)** | **4,843** |
| *(*) of which current portion of medium/long-term debt:* | | | |
| *Bonds* | *1,683* | *3,512* | *(1,829)* |
| *Amounts due to banks, other financial payables and liabilities* | *1,046* | *898* | *148* |
| *Current financial liabilities for lease contracts* | *779* | *648* | *131* |

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. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65%–85% for the fixed-rate component and 15%–35% 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** amounted to 24,654 million euros at June 30, 2022, **an increase of 2,467 million euros compared to December 31, 2021** (22,187 million euros). Despite a positive cash flow deriving from the operative-financial management, the increase in debt is due to the acquisition in Brazil of the mobile business of the Oi Group for a total of 1,741 million euros, the need relating to the commitments for said acquisitions of telecommunication frequencies in Brazil and Italy (469 million euros) and the accounting impact of the renegotiation of IFRS 16 lease contracts (536 million euros net of 557 million euros considered in the Oi acquisition value).
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) | 6/30/2022 (a) | 12/31/2021 (b) | Change (a-b) |
|---|---|---|---|
| **Net financial debt carrying amount** | **24,680** | **22,416** | **2,264** |
| *Reversal of fair value measurement of derivatives and related financial liabilities/assets* | *(26)* | *(229)* | *203* |
| **Adjusted net financial debt** | **24,654** | **22,187** | **2,467** |
| *Leasing* | *(5,385)* | *(4,614)* | *(771)* |
| **Adjusted Net Financial Debt - After Lease** | **19,269** | **17,573** | **1,696** |

**Net financial debt carrying amount** amounted to 24,680 million euros at June 30, 2022, an increase of 2,264 million euros compared to December 31, 2021 (22,416 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 203 million euros substantially following the rise in Euro interest rates, which effectively revalue the cash flow hedges, and the amortization of the adjustment on the assets/liabilities underlying the Fair Value Hedges interrupted in 2021. 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 19,269 million euros at June 30, 2022, up by 1,696 million euros compared to December 31, 2021 (17,573 million euros).

## Gross financial debt

*Bonds*

Bonds at June 30, 2022 totaled 18,097 million euros (20,895 million euros at December 31, 2021). Repayments totaled a nominal 17,711 million euros (20,338 million euros at December 31, 2021).

The change in bonds in the first half of 2022 was as follows:

| (millions of original currency) | Currency | Amount | Repayment date |
|---|---|---|---|
| **Repayments** | | | |
| Telecom Italia S.p.A 2002-2022 reserved for subscription by employees | Euro | 214 | 1/1/2022 |
| Telecom Italia S.p.A. 1,250 million euros 5.25% [(1)] | Euro | 884 | 2/10/2022 |
| Telecom Italia S.p.A. 2,000 million euros 1.125% Convertible bond | Euro | 2,000 | 3/26/2022 |

(1) Net of buy-backs totaling 366 million euros made by the company in 2015.

*Revolving Credit Facility and Term Loan*
The following table shows committed credit lines available at June 30, 2022:

| (billion euros) | 6/30/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| | Agreed | Drawn down | Agreed | Drawn down |
| Sustainability-linked RCF - maturing May 2026 | 4.0 | — | 4.0 | — |
| **Total** | **4.0** | **—** | **4.0** | **—** |

At June 30, 2022, TIM had bilateral Term Loans for 950 million euros with various banking counterparties.

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.

*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 6.92 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%, while the average cost of the Group's debt "After Lease" was equal to approximately 3.5%.

*Current financial assets and liquidity margin*

The TIM Group's available **liquidity margin** amounted to 7,923 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 3,923 million euros (9,153 million euros at December 31, 2021), also including 506 million euros in repurchase agreements expiring by November 2022;
- 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 24 months.

In particular:

**Cash and cash equivalents** amounted to 2,391 million euros (6,904 million euros at December 31, 2021). 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 1,532 million euros (2,249 million euros at December 31, 2021): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 569 million euros of treasury bonds held by Telecom Italia Finance S.A., 750 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 213 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.

At June 30, 2022, **adjusted net financial debt** amounted to 24,654 million euros, an increase of 2,015 million euros compared to March 31, 2022 (22,639 million euros). The rise is essentially due to the phenomena already identified as the dynamics described for the half-year, net of positive operating cash generation: the acquisition in Brazil of the mobile business of the Oi Group for a total of 1,741 million euros, the need relating to the commitments to acquire the telecommunication frequencies in Brazil and Italy (283 million euros) and the accounting impact of the renegotiation of IFIS 16 lease contracts (7 million euros net of 557 million euros considered in the Oi acquisition value).

| (million euros) | 6/30/2022<br>(a) | 3/31/2022<br>(b) | Change<br>(a-b) |
|---|---|---|---|
| **Net financial debt carrying amount** | **24,680** | **22,846** | **1,834** |
| *Reversal of fair value measurement of derivatives and related financial liabilities/assets* | *(26)* | *(207)* | *181* |
| **Adjusted Net Financial Debt** | **24,654** | **22,639** | **2,015** |
| *Breakdown as follows:* | | | |
| **Total adjusted gross financial debt** | **30,188** | **29,213** | **975** |
| **Total adjusted financial assets** | **(5,534)** | **(6,574)** | **1,040** |

# CONSOLIDATED DATA – TABLES OF DETAIL

To follow, the Separate Consolidated Income Statements, 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 2022 | 1st Half 2021 | Changes (a-b) | |
|---|---|---|---|---|
| | (a) | (b) | absolute | % |
| **Revenues** | **7,557** | **7,543** | **14** | **0.2** |
| Other income | 78 | 169 | (91) | (53.8) |
| **Total operating revenues and other income** | **7,635** | **7,712** | **(77)** | **(1.0)** |
| Acquisition of goods and services | (3,385) | (3,113) | (272) | (8.7) |
| Employee benefits expenses | (1,554) | (1,715) | 161 | 9.4 |
| Other operating expenses | (342) | (424) | 82 | 19.3 |
| Change in inventories | 35 | 49 | (14) | (28.6) |
| Internally generated assets | 269 | 244 | 25 | 10.2 |
| **Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)** | **2,658** | **2,753** | **(95)** | **(3.5)** |
| Depreciation and amortization | (2,295) | (2,268) | (27) | (1.2) |
| Gains (losses) on disposals of non-current assets | 34 | (1) | 35 | — |
| Impairment reversals (losses) on non-current assets | — | — | — | — |
| **Operating profit (loss) (EBIT)** | **397** | **484** | **(87)** | **—** |
| Share of profits (losses) of associates and joint ventures accounted for using the equity method | 31 | 22 | 9 | 40.9 |
| Other income (expenses) from investments | — | 12 | (12) | — |
| Finance income | 773 | 546 | 227 | 41.6 |
| Finance expenses | (1,459) | (1,128) | (331) | (29.3) |
| **Profit (loss) before tax from continuing operations** | **(258)** | **(64)** | **(194)** | **—** |
| Income tax expense | (102) | 7 | (109) | — |
| **Profit (loss) from continuing operations** | **(360)** | **(57)** | **(303)** | **—** |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | — | — | — | — |
| **Profit (loss) for the period** | **(360)** | **(57)** | **(303)** | — |
| Attributable to: | | | | |
| **Owners of the Parent** | **(483)** | **(149)** | **(334)** | **—** |
| Non-controlling interests | 123 | 92 | 31 | 33.7 |

## 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 2022 | 1st Half 2021 |
|---|---|---|---|
| **Profit (loss) for the period** | **(a)** | **(360)** | **(57)** |
| **Other components of the Consolidated Statements of Comprehensive Income** | | | |
| **Other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | | | |
| **Financial assets measured at fair value through other comprehensive income:** | | | |
| Profit (loss) from fair value adjustments | | (4) | 5 |
| Income tax effect | | — | — |
| | **(b)** | **(4)** | **5** |
| **Remeasurements of employee defined benefit plans (IAS19):** | | | |
| Actuarial gains (losses) | | 58 | 22 |
| Income tax effect | | (14) | (5) |
| | **(c)** | **44** | **17** |
| **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | — | — |
| Income tax effect | | — | — |
| | **(d)** | **—** | **—** |
| **Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | **(e=b+c+d)** | **40** | **22** |
| **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 | | (88) | (12) |
| Loss (profit) transferred to Separate Consolidated Income Statement | | 14 | (3) |
| Income tax effect | | 3 | 1 |
| | **(f)** | **(71)** | **(14)** |
| **Hedging instruments:** | | | |
| Profit (loss) from fair value adjustments | | 631 | 565 |
| Loss (profit) transferred to Separate Consolidated Income Statement | | (384) | (427) |
| Income tax effect | | (59) | (33) |
| | **(g)** | **188** | **105** |
| **Exchange differences on translating foreign operations:** | | | |
| Profit (loss) on translating foreign operations | | 715 | 307 |
| Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement | | — | — |
| Income tax effect | | — | — |
| | **(h)** | **715** | **307** |
| **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | — | — |
| Loss (profit) transferred to Separate Consolidated Income Statement | | — | — |
| Income tax effect | | — | — |
| | **(i)** | **—** | **—** |
| **Total other components that will be reclassified subsequently to Separate Consolidated Income Statement** | **(k=f+g+h+i)** | **832** | **398** |
| **Total other components of the Consolidated Statements of Comprehensive Income** | **(m=e+k)** | **872** | **420** |
| **Total comprehensive income (loss) for the period** | **(a+m)** | **512** | **363** |
| Attributable to: | | | |
| **Owners of the Parent** | | **170** | **175** |
| Non-controlling interests | | 342 | 188 |

## Consolidated Statement of Financial Position

| (million euros) | | 6/30/2022 (a) | 12/31/2021 (b) | Changes (a-b) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| **Intangible assets** | | | | |
| Goodwill | | 19,009 | 18,568 | 441 |
| Intangible assets with a finite useful life | | 7,899 | 7,147 | 752 |
| | | **26,908** | **25,715** | **1,193** |
| **Tangible assets** | | | | |
| Property, plant and equipment owned | | **13,971** | **13,311** | **660** |
| **Rights of use assets** | | **5,554** | **4,847** | **707** |
| **Other non-current assets** | | | | |
| Investments in associates and joint ventures accounted for using the equity method | | 335 | 2,979 | (2,644) |
| Other investments | | 128 | 156 | (28) |
| Non-current financial receivables arising from lease contracts | | 50 | 45 | 5 |
| Other non-current financial assets | | 1,961 | 2,285 | (324) |
| Miscellaneous receivables and other non-current assets | | 2,343 | 2,266 | 77 |
| Deferred tax assets | | 3,441 | 3,513 | (72) |
| | | **8,258** | **11,244** | **(2,986)** |
| **Total Non-current assets** | **(a)** | **54,691** | **55,117** | **(426)** |
| **Current assets** | | | | |
| Inventories | | 324 | 282 | 42 |
| Trade and miscellaneous receivables and other current assets | | 4,481 | 4,358 | 123 |
| Current income tax receivables | | 114 | 79 | 35 |
| Current financial assets | | | | |
| *Current financial receivables arising from lease contracts* | | *54* | *56* | *(2)* |
| *Securities other than investments, other financial receivables and other current financial assets* | | *1,883* | *2,391* | *(508)* |
| *Cash and cash equivalents* | | *2,391* | *6,904* | *(4,513)* |
| | | **4,328** | **9,351** | **(5,023)** |
| **Current assets sub-total** | | **9,247** | **14,070** | **(4,823)** |
| | | | | |
| **Discontinued operations /Non-current assets held for sale** | | | | |
| of a financial nature | | — | — | — |
| of a non-financial nature | | 2,631 | — | 2,631 |
| | | **2,631** | **—** | **2,631** |
| **Total Current assets** | **(b)** | **11,878** | **14,070** | **(2,192)** |
| **Total Assets** | **(b+a)** | **66,569** | **69,187** | **(2,618)** |

| (million euros) | | 6/30/2022 (a) | 12/31/2021 (b) | Changes (a-b) |
|---|---|---|---|---|
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Equity attributable to owners of the Parent | | 17,590 | 17,414 | 176 |
| Non-controlling interests | | 4,935 | 4,625 | 310 |
| **Total Equity** | **(c)** | **22,525** | **22,039** | **486** |
| **Non-current liabilities** | | | | |
| Non-current financial liabilities for financing contracts and others | | 21,762 | 23,437 | (1,675) |
| Non-current financial liabilities for lease contracts | | 4,707 | 4,064 | 643 |
| Employee benefits | | 812 | 699 | 113 |
| Deferred tax liabilities | | 234 | 245 | (11) |
| Provisions | | 1,007 | 926 | 81 |
| Miscellaneous payables and other non-current liabilities | | 1,322 | 1,413 | (91) |
| **Total Non-current liabilities** | **(d)** | **29,844** | **30,784** | **(940)** |
| **Current liabilities** | | | | |
| Current financial liabilities for financing contracts and others | | 3,768 | 5,945 | (2,177) |
| Current financial liabilities for lease contracts | | 782 | 651 | 131 |
| Trade and miscellaneous payables and other current liabilities | | 9,410 | 9,473 | (63) |
| Income tax payables | | 239 | 295 | (56) |
| **Current liabilities sub-total** | | **14,199** | **16,364** | **(2,165)** |
| **Liabilities directly associated with Discontinued operations/Non-current assets held for sale** | | | | |
| of a financial nature | | — | — | — |
| of a non-financial nature | | 1 | — | 1 |
| | | **1** | **—** | **1** |
| **Total Current Liabilities** | **(e)** | **14,200** | **16,364** | **(2,164)** |
| **Total Liabilities** | **(f=d+e)** | **44,044** | **47,148** | **(3,104)** |
| **Total Equity and Liabilities** | **(c+f)** | **66,569** | **69,187** | **(2,618)** |

## Consolidated Statements of Cash Flows

| (million euros) | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit (loss) from continuing operations | | (360) | (57) |
| Adjustments for: | | | |
| Depreciation and amortization | | 2,295 | 2,268 |
| Impairment losses (reversals) on non-current assets (including investments) | | 8 | (9) |
| Net change in deferred tax assets and liabilities | | 83 | (54) |
| Losses (gains) realized on disposals of non-current assets (including investments) | | (34) | 1 |
| Share of losses (profits) of associates and joint ventures accounted for using the equity method | | (31) | (22) |
| Change in provisions for employee benefits | | 241 | 256 |
| Change in inventories | | (37) | (55) |
| Change in trade receivables and other net receivables | | 77 | 134 |
| Change in trade payables | | (67) | (236) |
| Net change in income tax receivables/payables | | (62) | (235) |
| Net change in miscellaneous receivables/payables and other assets/liabilities | | 380 | (66) |
| **Cash flows from (used in) operating activities** | **(a)** | **2,493** | **1,925** |
| **Cash flows from investing activities:** | | | |
| Purchases of intangible, tangible and rights of use assets on a cash basis | | (2,589) | (1,960) |
| Capital grants received | | 3 | — |
| Acquisition of control of companies or other businesses, net of cash acquired | | (1,183) | — |
| Acquisitions/disposals of other investments | | (25) | (66) |
| Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets) | | 768 | (204) |
| Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of | | — | — |
| Proceeds from sale/repayments of intangible, tangible and other non-current assets | | 2 | 9 |
| **Cash flows from (used in) investing activities** | **(b)** | **(3,024)** | **(2,221)** |
| **Cash flows from financing activities:** | | | |
| Change in current financial liabilities and other | | (505) | (518) |
| Proceeds from non-current financial liabilities (including current portion) | | 228 | 1,912 |
| Repayments of non-current financial liabilities (including current portion) | | (3,635) | (2,108) |
| Changes in hedging and non-hedging derivatives | | (25) | — |
| Share capital proceeds/reimbursements (including subsidiaries) | | 7 | — |
| Dividends paid | | (37) | (336) |
| Changes in ownership interests in consolidated subsidiaries | | (4) | 1,758 |
| **Cash flows from (used in) financing activities** | **(c)** | **(3,971)** | **708** |
| **Cash flows from (used in) Discontinued operations/Non-current assets held for sale** | **(d)** | **—** | **—** |
| **Aggregate cash flows** | **(e=a+b+c+d)** | **(4,502)** | **412** |
| **Net cash and cash equivalents at beginning of the period** | **(f)** | **6,904** | **4,508** |
| Net foreign exchange differences on net cash and cash equivalents | **(g)** | (19) | 48 |
| **Net cash and cash equivalents at end of the period** | **(h=e+f+g)** | **2,383** | **4,968** |

### Purchases of intangible, tangible and rights of use assets

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Purchase of intangible assets | (603) | (661) |
| Purchase of tangible assets | (1,277) | (1,113) |
| Purchase of rights of use assets | (402) | (287) |
| Total purchase of intangible, tangible and rights of use assets on an accrual basis | (2,282) | (2,061) |
| Change in payables arising from purchase of intangible, tangible and rights of use assets | (307) | 101 |
| Total purchases of intangible, tangible and rights of use assets on a cash basis | (2,589) | (1,960) |

### Additional Cash Flow information

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Income taxes (paid) received | (38) | (254) |
| Interest expense paid | (934) | (863) |
| Interest income received | 284 | 229 |
| Dividends received | 96 | 86 |

### Analysis of Net Cash and Cash Equivalents

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| **Net cash and cash equivalents at beginning of the period:** | | |
| Cash and cash equivalents - from continuing operations | 6,904 | 4,829 |
| Bank overdrafts repayable on demand – from continuing operations | — | (321) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | — | — |
| Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale | — | — |
| | **6,904** | **4,508** |
| **Net cash and cash equivalents at end of the period:** | | |
| Cash and cash equivalents - from continuing operations | 2,391 | 4,969 |
| Bank overdrafts repayable on demand – from continuing operations | (8) | (1) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | — | — |
| Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale | — | — |
| | **2,383** | **4,968** |

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, 2022.

# Other information

## Average salaried workforce

| (equivalent number) | 1st Half 2022 (a) | Year 2021 (b) | 1st Half 2021 (c) | Changes (a-c) |
|---|---|---|---|---|
| Average salaried workforce – Italy | 37,071 | 38,826 | 39,951 | (2,880) |
| Average salaried workforce – Outside Italy | 8,960 | 9,116 | 9,069 | (109) |
| **Total average salaried workforce [1]** | **46,031** | **47,942** | **49,020** | **(2,989)** |

(1) Includes employees with temp work contracts: 11 average employees in Italy in the first half of 2022; 12 average employees in Italy in 2021; 12 average employees in Italy in the first half of 2021.

## Headcount at period end

| (number) | 6/30/2022 (a) | 12/31/2021 (b) | 6/30/2021 (c) | Changes (a-b) |
|---|---|---|---|---|
| Headcount – Italy | 42,620 | 42,347 | 42,910 | 273 |
| Headcount – Outside Italy | 9,403 | 9,582 | 9,494 | (179) |
| **Total headcount at period end [1]** | **52,023** | **51,929** | **52,404** | **94** |

(1) Includes employees with temp work contracts: 20 employees in Italy at 6/30/2022; 16 employees in Italy at 12/31/2021; 12 employees in Italy at 6/30/2021.

## Headcount at period end – Breakdown by Business Unit

| (number) | 6/30/2022 (a) | 12/31/2021 (b) | 6/30/2021 (c) | Changes (a-b) |
|---|---|---|---|---|
| Domestic | 42,864 | 42,591 | 43,157 | 273 |
| Brazil | 9,147 | 9,325 | 9,234 | (178) |
| Other Operations | 12 | 13 | 13 | (1) |
| **Total** | **52,023** | **51,929** | **52,404** | **94** |

# 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. Specifically, 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 2022 | 2nd Quarter 2021 | Changes | | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|---|---|---|---|
| | | | absolute | % | | | absolute | % |
| **ORGANIC EBITDA - excluding non-recurring items** | 1,563 | 1,708 | (145) | (8.5) | 2,950 | 3,308 | (358) | (10.8) |
| Lease payments | (260) | (222) | (38) | (17.1) | (478) | (425) | (53) | (12.5) |
| **EBITDA After Lease (EBITDA-AL)** | 1,303 | 1,486 | (183) | (12.3) | 2,472 | 2,883 | (411) | (14.3) |

## EBITDA AFTER LEASE - DOMESTIC

| (million euros) | 2nd Quarter 2022 | 2nd Quarter 2021 | Changes | | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|---|---|---|---|
| | | | absolute | % | | | absolute | % |
| **ORGANIC EBITDA - excluding non-recurring items** | 1,101 | 1,316 | (215) | (16.3) | 2,130 | 2,576 | (446) | (17.3) |
| Lease payments | (129) | (130) | 1 | 0.8 | (254) | (255) | 1 | 0.4 |
| **EBITDA After Lease (EBITDA-AL)** | 972 | 1,186 | (214) | (18.0) | 1,876 | 2,321 | (445) | (19.2) |

## EBITDA AFTER LEASE - BRAZIL

| (million euros) | 2nd Quarter 2022 | 2nd Quarter 2021 | Changes | | 1st Half 2022 | 1st Half 2021 | Changes | |
|---|---|---|---|---|---|---|---|---|
| | | | absolute | % | | | absolute | % |
| **ORGANIC EBITDA - excluding non-recurring items** | 466 | 396 | 70 | 18.2 | 826 | 738 | 88 | 11.8 |
| Lease payments | (131) | (92) | (39) | (42.4) | (224) | (170) | (54) | (31.8) |
| **EBITDA After Lease (EBITDA-AL)** | 335 | 304 | 31 | 10.8 | 602 | 568 | 34 | 6.0 |

## ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

| (million euros) | 6/30/2022 | 12/31/2021 | Changes |
|---|---|---|---|
| **Adjusted net financial debt** | 24,654 | 22,187 | 2,467 |
| Leasing | (5,385) | (4,614) | (771) |
| **Adjusted net financial debt - After Lease** | 19,269 | 17,573 | 1,696 |

## EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

| (million euros) | 2nd Quarter 2022 | 2nd Quarter 2021 | Changes | 1st Half 2022 | 1st Half 2021 | Changes |
|---|---|---|---|---|---|---|
| **Equity Free Cash Flow** | 37 | (106) | 143 | 338 | 363 | (25) |
| Change in lease contracts (principal share) | (144) | (112) | (32) | (322) | (274) | (48) |
| **Equity Free Cash Flow After Lease** | (107) | (218) | 111 | 16 | 89 | (73) |

# EVENTS SUBSEQUENT TO JUNE 30, 2022

See the Note "Events Subsequent to June 30, 2022" in the Half-Year Condensed Consolidated Financial Statements of the TIM Group.

# BUSINESS OUTLOOK FOR THE YEAR 2022

With regard to the Business Outlook for the financial year 2022, compared to what was disclosed in the Annual Report 2021, in light of the operating trends in the first half of 2022, the following EBITDA targets have been revised:

- Group organic EBITDA to “high single digit decrease” from “low teens decrease”;
- Group EBITDA AL to “low teens decrease” from “mid to high teens decrease".

# MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation.

The TIM Group has adopted a 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 Group companies, highlighting potential synergies between the actors involved in the assessment of the internal control and risk management system.

The Risk Management process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.

The Risk Management Model adopted by the TIM Group

- classifies risks based on their impact into Strategic (resulting from the evolution of factors underpinning the main assumptions used for the development of the Strategic Plan) and Operational (resulting from the evolution of risk factors, both endogenous and exogenous, which can compromise the achievement of business objectives);
- assesses the risks not just individually but also in terms of the risk portfolio (correlation analyses);
- identifies and updates the overall set of risks to which the Group is exposed through the analysis of the Industrial Plan, the monitoring of the reference context (macroeconomic, regulatory, etc.), cyclical monitoring with the Risk Owners, in order to intercept any changes and/or new risk scenarios, specific analyses on the risks to which the corporate assets may be exposed.

The business outlook for 2022 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.

In this context, we highlight the continued spread of COVID-19 and the Russia-Ukraine conflict and the possible increases in costs connected with inflation pressure. In addition, non-exhaustively, the following additional factors are mentioned: a change 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, 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. Late May, TIM signed a Memorandum of Understanding with CDP Equity S.p.A., Open Fiber S.p.A., Macquarie Infrastructure and Real Assets (Europe) Limited and Teemo Bidco S.a r.l to assess the possible creation of a single operator, not vertically integrated, which makes it possible to speed up the spread of fiber optic and ultrabroadband infrastructure throughout national territory. The aim is to grant access to the most innovative and efficient services to the general population, public entities and companies, thereby helping ensure a quicker, more lasting, sustainable development of the country. Achieving this agreement is not presently guaranteed.

The macroeconomic situation and geopolitical tension have re-sparked inflation on all levels. In most European countries, a macroeconomic context with high levels of inflation is virtually unknown to telecommunications operators, because previous experience dates back to periods prior to market liberalization and for many years now, the pricing dynamics of the TLC world have been deflationary. The onset of a phenomenon of greater inflation may lead operators to make changes to price in connection with the inflation. TIM has warned the industry regulator of the need to adjust the prices of certain wholesale components but there are competitive type risks where the management of inflation is not homogeneous between operators, for example, introducing opportunities for tariff arbitrage.

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.

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

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;
- sustaining the necessary level of capital expenditure in the long term.

## 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.

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 connection with the Russia-Ukraine conflict, TIM is liaising with the National Cybersecurity Agency (ACN), which has sent TIM a communication relating to the "Possible impacts on national ICT infrastructures in connection with the Ukraine situation".

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.

In order to prevent any impacts where similar conditions should occur to those seen in previous cases (NotPetya, Wannacry), in addition to adopting best practices on the matter, CSIRT (the structure established at ACN that, amongst others, issues pre-alarms, cyber bulletins and provides information to the parties concerned in respect of cyber risks) has asked that the level of attention be raised, by way of a priority adopting certain mitigating actions, including:

- verification of the consistency and off-line availability of back-ups necessary to restore in particular core business services;
- increased monitoring and logging;
- creation, update, maintenance and periodic operation of incident response capacity, business continuity and resilience plans;
- availability of key personnel;
- particularly close attention to the cloud environments;
- prioritizing patching;
- monitoring service and administration accounts to detect any abnormal activities;
- monitoring network traffic to analyze abnormal peaks;
- increasing the capacity to protect e-mail infrastructures from spear-phishing activities.

TIM is making every effort to raise the monitoring measures and fight the cyber threat, including in terms of cyber threat intelligence, also and simultaneously increasing physical security measures at the most critical sites.

## Business Continuity Risks

The TIM Group's success depends heavily on the ability to ensure the continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets, which are sensitive to various internal and external threats. TIM has adopted a "Business Continuity Model System" 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. In 2022, the extension of the areas covered will continue and certification maintenance activities will be performed. 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.

### Reducing energy consumption and combating climate change

The Group has set itself the goal of becoming carbon neutral by 2030 and net zero by 2040, with an increasing focus on energy consumption, failure to limit such will not only have a negative impact on the climate, but may result in failure to make savings on costs. The 2022-2024 Plan also reconfirms the target on the use of 100% renewable energy throughout the Group by 2025.

The agreement signed in Italy by TIM and ERG for the supply of electricity produced from renewable sources, which will already in 2022 cover around 20% of the company's energy consumption, will help achieve this target. The operation is also an important contribution towards the development of the clean energy sector, in line with the CO2 emissions reduction and decarbonization objectives established by the European Union. In addition to increasing use of renewable sources, the measures adopted by TIM to increase energy consumption efficiency include:

- initiatives and projects aimed at minimizing the environmental impact of the corporate business, of customers using ICT products and the supply chain;
- energy efficiency improvements under the scope of the plants and CED.

The continuous increase in global average temperatures is having a significant impact on natural events/disasters.

The negative consequences linked to climate change (e.g. floods, wind storms, etc.) can also impact the corporate assets (tangible damages) and Business Continuity (Business Interruption). To this end, TIM has specifically assessed, mitigated and monitored risks deriving from such events, as well as taken out suitable insurance cover.

The invasion of Ukraine by Russia opens up even extreme economic impacts related to energy procurement. The Eurozone companies, which starting 2021, have addressed the sharp rise in energy bills as compared with 2020, may be further impacted by the increased cost of energy. Before the start of the conflict, more than 40% of natural gas imported by our country and also necessary for the production of electricity (thermoelectric plants) came from Russia (source: Ministry of the Ecological Transition). The electricity consumed by TIM depends almost entirely on suppliers and with only a tiny part being self-produced. Therefore, the TIM Group is naturally exposed to the fluctuations of energy costs that could hinder the achievement of business objectives in terms of reduced margins and cash flow. To mitigate these exposures, the action in progress for 2022 include TIM covering much of the need at fixed price.

### Social inclusion

The digital divide is a huge obstacle to the dissemination of digitization, the growth of the country and the correlated connectivity services, with the risk of commercial repercussions. The “Operazione Risorgimento Digitale” initiative, which began in 2019, is the first major free school for the spread of digital skills in Italy and the main project for inclusion that seeks to bridge the digital divide involving the country’s less urbanized areas.

### 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.

TIM has launched a hiring program, searching out professional profiles that are compatible with the company reindustrialization/reorganization plan and a program for all personnel for the adjustment of competences in support of requalification, reskilling and upskilling processes, also regarding important insourcing of evolved and traditional, technical-specialized core activities.

The internal climate survey carried out amongst employees in 2021 reported the important result on satisfaction with work, which has increased by 20 percentage points in the last 3 years, surpassing the targets set in the previous Plan (2021-2023).

The plan includes a series of actions, of those already in progress, those concerned by revision and those introduced ex-novo, which look to personal well-being, organization and personal support, to ensure a better time working in the company and, in turn, comes under the scope of the broader TIM Sustainability Plan, which has been enriched with gender diversity targets.

## 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. 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.

## 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. Growth expectations of the Italian GDP in 2022 have been confirmed as being just under 3%, considering the continuation of the war in Ukraine and the performance of commodity prices, which is largely above average levels. The first quarter recorded growth of 0.1% in the GDP over the previous quarter thanks to the positive contribution of the manufacturing and construction segment, forecasts for the second quarter envisage growth of 0.5% thanks to the contribution made by the tourism and services segment but in the second half of the year, and in particular in the autumn months, a decline in the economic activity is expected. This latter is a consequence of the high levels of inflation (in June, it reached 8%), no longer limited to the energy industry alone, which is reducing the buying power and the value of financial assets of the families and businesses and causing a rise in interest rates on loans. The scenario hypothesized does not include a worsening of the COVID-19 virus, additional peaks in the prices of commodities and an extension of the war in Ukraine.

The increase in the prices of natural gas and crude oil impact European industry, especially the more energy-intensive sectors. The shock of the energy supply has revealed the dependency of European countries on fossil fuels. There are also risks of financial instability of businesses and banks that are dependent on investments made in the energy sectors.

Due to the uncertain outcome of the war in Ukraine and the continued pressure on prices in the energy sector, inflation (forecast for an annual average of 7%) should in the short-term in any case remain at high levels.

Consumption, penalized by the reduction in real disposable income of families are down (-0.7% IQ 2022 vs IVQ2021) and are unlikely to return to pre-COVID-19 levels before late 2024.

The future consequences of the conflict between Russia and the Ukraine on the world political and economic balance are evolving and at present difficult to predict in full. The European Union and a great many other countries, have imposed economic sanctions on Russia and Belarus, in reference to certain economic-financial sectors and certain natural persons and legal entities close to the Russian government. Further sanctions may be decided later.

For the TIM Group, in particular for Telecom Italia Sparkle, there may be fallout in terms of commercial relations, in the collection of trade receivables and in the assets present in the country, which, however, despite the fact that they do depend on how the conflict evolves, is not currently considered to be significant.

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

In Brazil, growth forecasts for 2022 are expected to come to around 2%. The first quarter recorded good performance in exports (5%) and a reduction in imports of a similar level. The restrictive monetary policy is causing the Brazilian currency to recover credibility (the real has recorded 11% growth against the dollar) but inflation remains above 10%, penalizing the purchasing power of households and determining the risk of a sudden reduction in aggregate demand. No signs of a reversal or stabilization of inflation are seen as yet.

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, the continued Chinese lock-down is causing congestion in the major ports, an increase in average delivery time and difficulties in procuring certain materials and devices necessary for network development and some contracts.

# 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.

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-conformities 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.

## 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 Italian Competition Authority (AGCM) 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 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)

Compliance with Commission Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), directly applicable as from May 25, 2018 and enacted in Italy by Legislative Decree no. 101/2018 is particularly important. This Regulation 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. Starting from the operating model already in use with pre-existing Privacy regulations, the TIM Group extended the tools necessary to ensure compliance with the GDPR, also activating specific organizational oversights. In particular, a steering committee was established on compliance with the GDPR, overseen by the company's senior management and that provides guidance in pursuing the conformity objectives. The conformity assessments have been submitted to the committee, along with the results of the *ex-ante* and *ex-post* controls carried out by the Compliance Department in accordance with the Group Data Protection Officer, who operate autonomously, in accordance with segregation of duties and who take part in the Company's Internal Control System. 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 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.

## Health and Safety at Work

Compliance with safety at work requirements is assured in TIM through the application of current applicable legislation starting from when the risk assessment is performed and updated from time to time, along with the relevant document. In 2021, ISO 45001:2018 certification was also achieved in relation to the design, development, maintenance and management of the properties for office and mixed use coming under the purview of the Real Estate department.

As regards the management of the impacts of the COVID-19 pandemic, TIM immediately took all steps necessary to fully implement the emergency provisions issued by the government and regional authorities, in multiple tranches, to limit the virus contagion.

From 2020 onwards, weekly smart working has been extended to all professional figures able to do so, including call center operators, and specific prevention and protection protocols defined, modulated taking into account the specific nature of the work at hand, for all those needing to continue to work on-field (technicians, store operators and data center operators), equipping them with suitable Personal Protection Equipment and, in line with the legal guidance and taking into account government and health authority guidelines, in accordance with Italian Legislative Decree no. 81/2008, a specific document has been formalized dedicated to COVID-19 and setting out all personnel protection measures aimed at preventing contagion, updated during the early months of 2022 in connection with the legislative changes.

In addition, TIM has supported employees with dedicated initiatives, such as:

- a continuous information and awareness-raising campaign intended for all personnel;
- a health welfare campaign, of voluntary adhesion, based on serological and rapid antigen tests (from June 2020 to March 2021) aiming to verify the degree of immunity to COVID-19 by means of antibody response, intended mainly for personnel who have continued to work in the field during the emergency and that involved approximately 12,000 employees. Since 2021, the campaign was extended to include all TIM employees, with the collaboration of ASSILT;
- a flu vaccine campaign, again voluntary, between end 2020 and early 2021, directed towards all TIM Group people, which was taken up by approximately 5,000 employees; the vaccination campaign was reproposed in November 2021, again on a voluntary basis, and this time taken up by approximately 3,800 employees;
- psychological support from external professionals;
- specific procedures for handling any cases of ascertained or suspected positivity to COVID-19, as well as specific insurance cover for employees in the event of hospitalization following contagion with COVID-19;
- criteria for interregional and international mobility for proven working needs, always within the limits set by the schemes defined by the competent health authorities;
- the signing of specific agreements with the Trade Unions for the safe management of a return to work, which took place on a voluntary basis starting October 4, 2021 for approximately 3,000 employees who chose to cease smart working 5 days a week. The partial return took place according to the criteria shared with the trade unions in this respect:
    - 1 day a week for the daily model and 1 week a month for the weekly model for those who agreed to temporary smart working;
    - 5 days a week for those who did not agree to temporary smart working.

  This return has entailed the reopening of 48 properties in complete compliance with the rules designed to prevent COVID-19 infection, specifically set out in the Site Regulations prepared for each property.
- Preparation of specific Site Regulations necessary to return safely on April 1, 2022.
- Starting April 1, 2022, all employees returned on site, according to the following criteria linked to the new way of smart working: 3 days a week for the daily model and 2 weeks a month for the weekly model.
- From May 1, 2022 onwards, as the obligation to have and display a green pass ceased, no further verifications of such have been carried out.

## Golden Power

The "Golden Power" Decrees that give 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, also adding value to the technological assets and services included in the Golden Power perimeter, with content derived from the pursued institutional purpose.

In summary, the Prime Minister established that the Company is subject to the obligations pursuant to Legislative Decree no. 21/2012 (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 Prime Minister exercised the special powers provided for in article 1 of the Golden Power Decree by imposing specific provisions and conditions on TIM and the Sparkle and Telsy subsidiaries. Amongst others, the measures concern corporate and organizational governance; in particular, the Prime Minister requires the presence on the respective 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.

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.

The government’s ruling was subsequently integrated with the Law of May 20, 2019, no. 41 which included measures relating to electronic broadband communication services based on 5G technology within a wider framework of urgent measures”.

For TIM, in the two years 2019-2020, this ruling was then followed by specific implementing decrees (Decrees of the President of the Council of Ministers of September 5, 2019, July 6, 2020 and August 7, 2020), which effectively ceased for TIM in May 2021, due to the strategic-industrial choice made and the right of withdrawal exercised in regard to the non-European supplier previously used for these supplies.

Publication of Decree-Law no. 21 of March 21, 2022 (Urgent measures to combat the economic and humanitarian effects of the Ukraine crisis), converted into law with amendments by Law no. 51 of May 20, 2022, renewed the close attention paid to 5G, insofar as an activity of strategic importance for defense and national security, superseding the Law of May 20, 2019 in terms of non-EU technology and focusing attention on any supplier in the area, regardless of their geographic origin, and redefining the government’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 related to the design, implementation, maintenance and management of activities relating to 5G technology, with the possibility of making four-monthly updates.

The Plan is subject to approval by the government, which may impose prescriptions or conditions, within 30 to one hundred days; to monitor any prescriptions as may be set, the company is required to submit half-yearly reports on the activities in progress.

If this notice is not provided, the company may be sanctioned by up to 3% of its turnover.

Lastly, a separate note is made about the Decree of November 16, 2020, with which the Presidency of the Council of Ministers, following TIM’s notification of the corporate operation involving FiberCop S.p.A., exercised the special powers imposing specific requirements. These provisions refer to the networks and plants included in the business unit transferred, requiring the adoption of adequate development, investment and maintenance plans to ensure their proper functioning and integrity, to guarantee continuity of universal service.

## 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, established by Law no. 133 of November 18, 2019, converting Decree Law 105/2019 setting out “Urgent provisions on the national cyber security perimeter and regulating special powers in sectors of strategic importance”.

The regulations in this area are hinged on three elements, 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.

On July 30, 2020, DPCM (Decree of the President of the Council of Ministers) no. 131 was issued, which identifies the subjects coming under the scope of the Perimeter and defines the criteria to be applied when compiling the list of ICT assets relating to essential services; by subsequent decrees, the procedures were defined for the award/procurement of ICT supplies, the categories of assets coming under that scope identified and the tasks of the CVCN - National Assessment and Certification Center - assigned and procedures established by which to notify incidents impacting ICT assets relating to essential services, classifying them according to their severity.

The regulatory framework on cyber security is completed by the establishment of the National Cyber Security Agency, designed to protect national interest in the field of cybernetic space security.

Compliance with these obligations 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.

# MAIN CHANGES IN THE REGULATORY FRAMEWORK

## Domestic

In this section we report the main changes in the regulatory framework in the first half of 2022 in the Domestic region.

As regards the Antitrust proceedings, as well as the proceedings regarding the 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, 2022.

## European regulations

### Intra-European roaming regulation

The new 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 July 14, 2022, the European Council and the European Parliament reached a provisional agreement on the strategic program for 2030 "Path to the Digital Decade". The adoption of the final decision is expected by year end. The agreement clarifies various definitions of the objectives defined by the European Commission in Communication COM(2021) 118 final of March 9, 2021 (the "Digital Compass" Communication) and the legislative proposal of September 15, 2021, which regard the following areas:

- A digitally skilled population and highly skilled digital professionals,
- Secure and performant sustainable digital infrastructures,
- Digital transformation of business,
- Digitalization of public services.

The Path to the Digital Decade 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 (including KPIs);
- 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 to indicate the policies adopted or planned and 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 multi-country projects.

### Digital Markets Act (DMA)

On July 5, 2022, the EU Parliament voted the definitive text of the DMA, which was then adopted by the Board on July 18. The new Regulation (which will come into force 20 days after publication in the EU Official Journal) 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 ≥7.5 billion euros or average market capitalization ≥75 billion euros, as well as providing a platform service to 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 Gatekeeper must notify the EU Commission of its status early 2023 and shall have a period of adjustment to the new rules that will last through to early 2024.

### Digital Services Act (DSA)

On July 5, 2022, the EU Parliament voted the definitive text of the DSA, which will then be adopted by the Board. The new Regulation (which will come into force on the twentieth day after publication in the EU Official Journal) aims to create a harmonized framework on an EU level of the specific obligations of diligence for certain intermediate service supplies, 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.

Sanctions in the event of breach can be as high as 6% of turnover.

The rules will apply 15 months after the coming into force and at the latest by January 1, 2024.

## Wholesale fixed-line markets

### Fixed network access market analysis

The final provision published on August 8, 2019 defines the obligations and economic conditions for wholesale access services for the period 2018-2021.

The main decisions relate to:

- repeal of TIM's qualification as an operator with Significant Market Power (SPM) in the access market - and, consequently, repeal of all ex ante regulatory obligations - in the municipality of Milan and confirmation of SPM operator qualification for the rest of the National territory;
- repeal of the obligation to guide the cost of bitstream copper and fiber service prices in 26 municipalities considered "contestable" (list extended to 43 municipalities by resolution no. 385/21/CONS starting 2022); the possibility to apply, in the same municipalities, different VULA prices from the national average value set by the Authority starting from 2021, if certain conditions defined by the Authority are met, with resolution no. 12/21/CONS;
- gradual increase in the full unbundling price (ULL) and bitstream price on copper in the 2019-2021 period;
- sub loop unbundling (SLU) price stability in the 2019-2021 period;
- gradual decrease in fiber access prices (VULA FTTC and FTTH) and price differentiation of the bandwidth, starting in 2021, depending on whether the access line is on a copper or NGA network;
- repeal of the current prior AGCom notification obligations and verification of *ex ante* "replicability" for flagship offers with speeds greater than or equal to 100 Mbit/s and, in other cases, reduction of prior notification period from 30 to 20 days;
- definition of the process and timing for the decommissioning of TIM exchanges;
- possibility of using vectoring in FTTC cabinets where alternative operators have not requested sub loop unbundling (SLU) lines;
- elimination of current asymmetries in procedures to change TIM network operator between processes to return to TIM and changing from TIM to alternative operators.

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.

Once the first phase of consultation on the FiberCop Project is complete, AGCom shall continue its coordinated analysis with more available elements, with reference to the regulatory framework (transposition of the new European Electronic Communications Code at national level and adoption of the new Recommendation on Relevant Markets), the initial feedback received from interested parties on the project's general impact on TIM's fixed network access markets and TIM's notification of the Authority on January 29, 2021 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 conformity with said Art. 76 for the purpose of the deregulation of the new fiber infrastructure, is assessed.

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 investigations ordered by AGCom will not entail a complete overhaul of the procedure but rather will merely assess 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.

By resolution no. 412/21/CONS (December 2021), the Authority also extended the deadline for the proceedings started by resolution no. 637/20/CONS by 90 days, considering the fact that the provisions of the offer of co-investment, the related assessment by the authority as to its conformity with the provisions of Article 76 EECC and the level of adhesion to it by alternative operators in the various territorial contexts of the country, should be duly considered by the authority in the coordinated analysis that, on the basis of a provisional analysis of future market developments, will establish the level of competitiveness of the markets in question and the related regulations to be imposed.

During the meeting held last July 6, 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 TI 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 and concerned by the coordinated access market analysis procedure launched with resolution no. 637/20/CONS.

## 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 (PNRR) 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 PNRR 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);
  - 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 (9/30/21 - 9/30/26) 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;
- OF 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 reproposed with a deadline of June 3 and was awarded to TIM on June 28, 2022 for a total of approximately 65 million euros.

**“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;
- Suburban roads prepared for 5G (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 (the Fiber backhauling notice and the Notice for new 5G sites) 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.

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.

**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.

### "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.

### "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.

### "Isole minori" (Minor Islands) 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 reproposed 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, again 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.

### 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.
Companies 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.

The company Voucher Plan will run until the resources allocated run out and, in any case, until December 15, 2022. The duration of the measure may be extended for another year.

## 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, awaiting appeal, which is pending before the Council of State. The preliminary hearing of the Council of State will be scheduled but no earlier than 2023.

## 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"). The resolution mentioned has been appealed against by TIM before the Regional Administrative Court: the hearing for discussion of the merits is expected for January 2023.

## Authority fees

### AGCom contribution fee

On January 31, 2022, AGCom issued resolutions no. 376/21/CONS and 377/21/CONS relating to the payment of the AGCom contribution fee for the year 2022 (calculated on the 2020 financial statements figures). The guidelines for calculating the contribution fee are unchanged compared to the guidelines for calculating the 2021 contribution fee. For 2022, AGCom has confirmed the rate of 1.30 per thousand for electronic communications market at 1.90 per thousand for “media” services. On the basis of this rate, TIM paid around 15.677 million euros under reserve.

## Privacy and personal data protection

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

On May 25, 2018, the General Data Protection Regulation (Regulation (EU) no. 2016/679 – “GDPR”) came into force.

In order to guarantee - also 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:

- the “System of rules for the application of legislation on personal data protection in the Telecom Italia Group” policy is kept constantly up-to-date and available on the corporate intranet. The procedure has also been updated for the management of data breaches, as has the manual for drafting the Privacy Impact Assessment and the policy for the exercise by data subjects of their privacy rights, taking into account the amendments made to Art. 132 of the Privacy Code by Italian Legislative Decree no. 178 of November 23, 2021.
- the updating of the numerous policy notice texts on personal data processing, provided by TIM and the other Group companies to different types of Data Subjects (e.g. customers, employees, visitors).

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. This training has to date involved the Legal Authority Services Department.

### COVID-19 emergency

Under the scope of the COVID-19 emergency, TIM constantly monitors the evolution of the rules, regulations and opinions given and adopted by the government and the Data Protection Authority in relation to the processing of personal data of employees in a working context.

In this context, TIM adopts all the initiatives necessary to comply with said provisions.

## Spectrum

In July 2020, with resolution 338/20/CONS, AGCom adopted a decision in favor of renewing for eight years until 2029 the rights to use of the TIM, Vodafone, Iliad and Wind/H3G FDD spectrum in the 2100 MHz band (2x15MHz for TIM and Vodafone, 2x10 MHz for Iliad, 2x5 MHz for Wind/H3G and 2x15 MHz for Wind/H3G, already extended). For the purpose of the renewal, in April 2021, TIM had paid approximately 240 million euros. On January 17, 2022, the Court of Auditors registered the Ministerial Decree of extension, consequently notified to the MNOs concerned on February 4, 2022. Finally, 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.

On December 31, 2021, AGCom published resolution no. 426/21/CONS in which it expresses a positive opinion on authorizing the extension through to December 31, 2029 of the rights to use frequencies in 28 GHz bandwidth for fixed use, expiring end 2022. In this bandwidth, TIM owns 2x112 MHz and on March 23, 2022, it submitted a request for extension, in regard to which AGCom has already given an opinion in favor to the Italian Ministry of Economic Development (MISE) with resolution no. 157/22/CONS. The prorogation contribution has been calculated by the MISE as approximately 9.7 million euros, to be paid by end July 2022. Again in March 2022, by resolution no. 66/22/CONS, AGCom consented to the request to renew 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. In April 2022, the MISE issued the authorization provision for which TIM paid approximately 5 million euros to renew the rights of use until December 31, 2029. 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 Minsters 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, 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.

TIM, which has always paid close attention to the needs of disabled users, has decided to apply the benefits of the mobile offer to disabled users with major limitations to their walking, four months early, and therefore from January 1, 2022.

## Golden Power

Decree-Law no. 22 of March 25, 2019 (converted, with amendments, by Italian Law no. 41 of May 20, 2019), extended the exercise of the special powers to also include the 5G technology broadband telecommunications network.

The legislative framework governing the matter has been further enhanced by Decree-Law no. 105 (converted, with amendments, by Italian Law no. 133 of November 18, 2019) setting out "Urgent provisions on the national cyber security perimeter". Most of the implementing measures defined in said Decree-Law called for the issue of the following provisions:

- Decree of the President of the Council of Ministers (DPCM) regarding the regulation for the definition of the terms and criteria by which to identify the subjects included in the cybernetic security perimeter and criteria to be used to prepare the list of networks, sensitive information systems. The DPCM came into force on November 5, 2020;
- Administrative deed of the President of the Council of Ministers identifying the subjects included in the scope. Issued in December 2020;
- Decree of the President of the Council of Ministers (DPCM) regarding the definition of the procedures for notifying "incidents" impacting the systems to the CSIRT (Computer Security Incident Response Team) and the measures necessary to guarantee high security levels. The Decree was published in the Official Journal on June 11, 2021 and came into force on June 26, 2021;
- Decree of the President of the Republic (DPR) regarding the definition of the notification process to the CVCN (National Assessment and Certification Center) of the critical infrastructure other than 5G and for 5G devices supplied by European vendors: the regulation was published in the Official Journal on April 23, 2021 and came into force on May 8, 2021;
- definition of the type of verifications and tests on hardware and software that can be carried out both under the scope of Golden Power and CVCN. The Regulation came into force on April 23, 2021;
- Decree of the President of the Council of Ministers (DPCM) whereby the categories of goods and services to be notified to the CVCN are identified. The Decree was published in the Official Journal on August 19, 2021 and came into force on May 9, 2021;
- Decree of the President of the Council of Ministers (DPCM) whereby the criteria are defined that the CVCN needs to use to identify the laboratories accredited to perform security/vulnerability tests. The Decree was published in the Official Journal on July 15, 2022 and came into force on July 30, 2022; With the publication in the OJ of the Decree of the President of the Council of Ministers, the implementation of the national cyber security perimeter was completed.

Decree Law no. 23 of April 8, 2020 (adopted with amendments by law no. 40 of June 5, 2020) substantially amended the general **corporate Golden Power** regulation: also in relation to the communications sector, the obligation to notify of participations by foreign entity companies, including those outside the European Union, has been extended, in cases where the transaction is likely to determine the control over the company in which the equity investment was purchased.

Lastly, note Decree-Law no. 21 of March 21, 2022, converted into law with amendments by Law No. 51 of May 20, 2022, which introduced additional provisions on the matter:

- the rule of **Golden Power for 5G has been completely amended**. The obligation of notification *ex ante* of an annual plan, has been introduced, which includes all purchases (not only those made by non-EU subjects). The plan must provide indications on the development prospects of the 5G network and a detailed framework of the procedures for developing the digitization systems;
- **corporate Golden Power strengthened.** The Government can exercise its rights of veto not only in cases of merger/spin-off but also in the event of changes to ownership, control or availability of assets. Also introduced joint notification of the transaction for both the acquiring company and the target company.

## Urgent measures for simplification and digital innovation

As regards the measures to speed up the country's infrastructure process, in continuity with Decree Law no. 76 of 2020, the "Simplifications Decree Law", Decree Law no. 77/2021, setting out the "Governance of the National Recovery and Resilience Plan and first measures to strengthen the administrative structures and speed up and streamline the procedures", like the previous one, sets out important simplification measures to speed up completion of both the 5G networks and networks in optic fiber and ultra-broadband. The Decree was definitively approved, with amendments, by Law no. 108 of July 29, 2021.

Lastly, also note **Decree-Law no. 21 of March 21, 2022,** 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.

Lastly, **Decree-Law no. 36 of April 30, 2022**, converted into law with amendments by Law no. 79 of June 29, 2022, is recalled, 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.

## 2021 annual draft law for the market and competition

The Council of Ministers of November 4, 2021 approved the 2021 annual draft law for the market and competition.

The draft law has the following aims:

- to promote the development of competition, also with a view to guaranteeing access to the markets of small enterprises;
- to remove the legislative and administrative regulatory obstacles to the opening of the markets;
- to guarantee consumer protection.

With specific reference to the provisions, introduced by the text, related to competition, development of digital infrastructures and telecommunication services, the following are pointed out:

- **fiber optic network developments**: an obligation to coordination between infrastructure managers and operators in the event of civil engineering works;
- **block and activation of premium services and acquisition of evidence of consent**: greater consumer/user protection is offered for the supply of digital contents provided both through SMS and MMS and data connection, with debiting against telephone credit or billing, offered both by third parties and directly by the operators;
- **procedures for the development of new generation infrastructures**: in the event of refusal to access, detailed reasons for the refusal must be given (also attaching photographic/technical documentation). For the other provisions, no substantial changes are highlighted with respect to that provided for to date.

The text is currently being examined by parliament for the standard analysis procedure.

## 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**: a review is envisaged of the existing obligations, by the Minister, by December 21, 2022 and thereafter every 3 years. More specifically, the Code includes in the universal service broadband

Internet access from a fixed location. 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 in any case be able to supply the bandwidth necessary to support at least the minimum set of services pursuant to Annex 5 of the new Code. Finally, the mechanism has been eliminated, by AGCom resolutions, used to fix the annual Quality of service targets that TIM, as the operator appointed to supply the universal service, was called to respect, at risk of having to pay administrative fines.

In March 2022, AGCom started a technical working group with operators to discuss the changes to the existing regulatory framework on the protection of users as a result of the coming into force of the new Electronic Communications Code. Following the discussion, specific public consultations are expected.

### Cessation of the state of emergency due to the COVID-19 pandemic

Decree-Law no. 24 of March 24, 2022, converted into law with amendments by Law no. 52 of May 19, 2022, defined the provisional measures aimed at limiting the pandemic in the phase immediately after cessation of the state of emergency, starting March 31, 2022 (end of the state of emergency).

More specifically, the Decree-Law:

- established the extension of vaccine obligations and regulated use of the standard and super Green Pass;
- extended until August 31, 2022 the possibility for private employers to apply smart working even without individual agreements.

It is also noted that on June 30, 2022, the Ministry of Employment, the Ministry of Health, the Ministry of Economic Development, INAIL and the social parties signed a protocol setting out guidelines to facilitate companies in the adoption of anti-infection safety measures in consideration of the current epidemic.

In addition to the disclosure obligations regarding the risks of infection and precautions taken, the protocol envisages:

- use of smart working, particularly for "fragile" workers;
- recommendation of the use of FFP2 masks for all workers (not obligatory) and the identification of groups of workers (in particular fragile persons) who must wear FFP2 masks;
- the employer must in any case assure the availability of FFP2 to all workers.

The Protocol must be reviewed, according to the epidemiological context, by October 31, 2022.

## 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 ("Agencia 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 a series of 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 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 transformed 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.

## 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 supporting this regulation: the Operating Manual and the Reference Values; and established the operative coming into force on March 1, 2022, as well as the dissemination of official indexes and the Quality Mark (which fosters competition on quality) at the start of 2023, considering the results of the new 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 January, ANPD published the biannual regulatory agenda (2021-2022) listing the following standouts: ANPD's internal regulations, the establishment of regulations for the application of art. 52 et seq. of the law, Data Subject Rights, Data Breach Reporting, among others.

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) was approved for the supervision and sanction administrative process, under the scope of competence of the ANPD.

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

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

## 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 was published by MCTI with the objective of guiding the actions in favor of the development of research and innovation in solutions with the use of Artificial Intelligence, as well as its conscious use and ethical and ensuring 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 (AI); 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.

## 5G Auction

In February 2021, the Anatel Board of Directors approved the public notice for the 5G Auction. After which, the Brazilian federal court of auditors (TCU) assessed the matter, which was completed on August 25, 2021. The auction returned for analysis to Anatel, which on September 24, 2021 approved the notice. The auction envisaged in the second half of 2021 was held in November 2021. TIM acquired 11 lots, with a total value offered of 1.05 billion reais, in 3 frequency bandwidths: 3.5 GHz, 2.3 GHz and 26 GHz. The bandwidths acquired have a series of obligations that must be satisfied with financial contributions or the construction of mobile and fixed network infrastructures. Consequently, TIM guarantees the spectrum capacity necessary to pursue its growth nationally on the mobile market, being ready to respond to its customers' demands and to explore new applications and develop innovative solutions calling for high-speed connectivity and capacity.

The main commitments associated with each bandwidth are:

- 2.3 GHz: 4G coverage in certain municipalities and areas (south and south-east regions);
- 3.5 GHz: 5G coverage in all municipalities with a population equal to or greater than 30,000 inhabitants + fiber backhaul obligations in 138 municipalities + additional contributions to EAF ("Entidade Administradora da Faixa", new entity that has already been constituted) to carry out the following projects: clean-up 3.5 GHz, deployment of fiber optic in Amazonia and building a private network for exclusive federal government use;
- 26 GHz: contributions to EACE ("Entidade Administradora da Conectividade de Escolas", new entity that has already been constituted) to carry out connectivity schools' projects.

# CORPORATE BOARDS AT JUNE 30, 2022

## 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.

The current power structure of the Company provides:

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

As CEO and General Manager, Pietro Labriola is classified as a (non-independent) Executive Director.

At June 30, 2022, the Board of Directors of TIM had the following members:

| | |
|---|---|
| **Chairman** | Salvatore Rossi |
| **Chief Executive Officer and General Manager** | Pietro Labriola |
| **Directors** | Paolo Boccardelli (independent) |
| | Paola Bonomo (independent) |
| | Franck Cadoret |
| | Paola Camagni (independent) |
| | Maurizio Carli (independent) |
| | Luca De Meo (independent) |
| | Cristiana Falcone (independent) |
| | Federico Ferro Luzzi (independent) |
| | Giovanni Gorno Tempini |
| | Marella Moretti (independent) |
| | Ilaria Romagnoli (independent) |
| | Arnaud Roy de Puyfontaine |
| | Paola Sapienza (Lead Independent Director) |
| **Secretary to the Board** | Agostino Nuzzolo |

The following board committees were in place at June 30, 2022:

- **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 (on March 29, 2022 Luca De Meo stood down as Committee member and has not been replaced);
- **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 Bonissoni |
| | Francesca di Donato |
| | Anna Doro |
| | Massimo Gambini |
| **Alternate Auditors** | Ilaria Antonella Belluco |
| | Laura Fiordelisi |
| | Franco Maurizio Lagro |
| | Paolo Prandi |

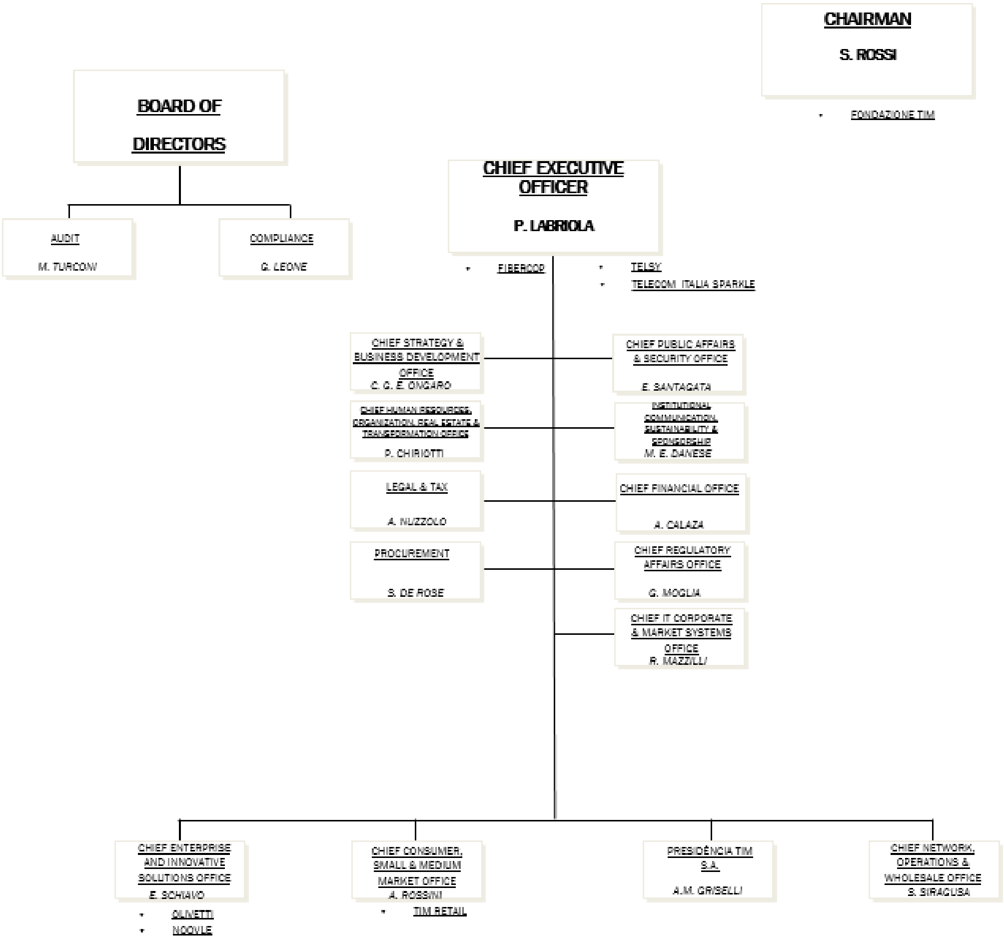
## Independent Auditor

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 Function) 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, 2022

| | |
|---|---|
| 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 | 115,942,196 |
| Percentage of ordinary treasury shares held by the Group to total share capital | 0.54% |
| Market capitalization (based on June 2022 average prices) | 5,590 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.".

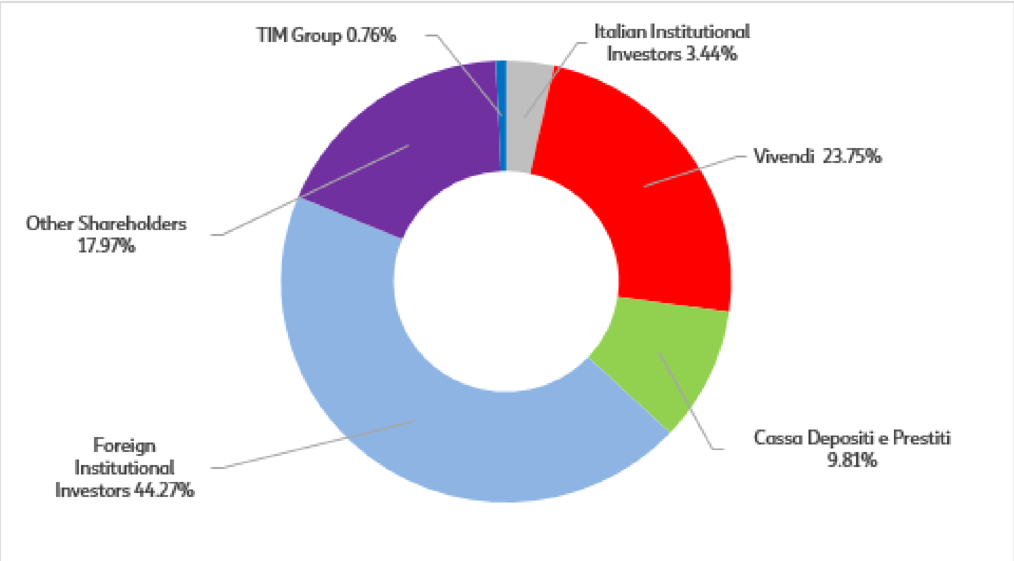
TIM S.p.A. ordinary and savings shares are listed on the Italian stock exchange (FTSE index), whereas the ordinary shares of TIM S.A. are listed in Brazil under B3 (formerly the BM&F/Bovespa).

| | **TIM - Telecom Italia** | | **TIM S.A.** |
|---|---|---|---|
| *Code* | 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, 2022, supplemented by communications received and other available sources of information (ordinary shares):**



## Major Holdings in Share Capital

Taking into account the entries in the Shareholders Book, communications sent to Consob and to the Company pursuant to Italian Legislative Decree no. 58 of February 24, 1998, Article 120, and other available sources of information, the relevant holdings **(above the 3% threshold)** of TIM S.p.A.'s ordinary share capital are as follows:

| 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, 2022

At June 30, 2022, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

| | Rating | Outlook |
|---|---|---|
| STANDARD & POOR'S | BB- | Negative |
| MOODY'S | Ba3 | Negative |
| FITCH RATINGS | BB | Negative |

On July 22, 2022, the ratings agency Moody's changed its opinion on TIM to B1 with negative outlook.

## 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 paragraph 8 and article 71 paragraph 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, paragraph 8 of Consob Regulation 17221 of March 12, 2010 concerning "Related-party transactions" and the subsequent Consob Resolution 19974 of April 27, 2017, no significant transactions were conducted in the first half of 2022, as defined by Article 4, paragraph 1a of the aforementioned regulation, that had a material impact on the financial position or the performance of the TIM Group.

In addition, there were no changes or developments with respect to the related-party transactions described in the 2021 Report on Operations which had a significant effect on the financial position or on the performance of the TIM Group in the first half of 2022.

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.

For information on transactions with related parties, see the Financial Statement Statements and the Note "Related-party transactions" of the Half-Year Condensed Consolidated Financial Statements of the TIM Group at June 30, 2022.

# 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 profits (losses) of associates and joint ventures accounted for using the equity method |
| **EBIT – Operating profit (loss)** | |
| +/- | Impairment losses (reversals) on non-current assets |
| +/- | Losses (gains) on disposals of non-current assets |
| + | Depreciation and amortization |
| **EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets** | |

- **Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT**: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. The TIM Group presents a reconciliation between the “accounting or reported” figures and the “organic excluding the non-recurring component”.
- **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** |

## 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 2022 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 R&D, 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...), 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

5G technology is fundamental for a series of digital services thanks to speeds reaching 10Gbps and a latency of 1 millisecond. TIM is leading the 5G technological innovation worldwide and, in this role, the company was awarded the best frequencies put out to tender by the Italian Ministry of Economic Development.

5G is the new telecommunications paradigm that is set to bring about major change to fixed and mobile networks, with performance 10 times higher than the current technology in terms of connection speed and reliability, supporting Italy's digitization, boosting industry competitiveness and improving the way we communicate and live.

5G will have clear advantages for:

- consumers - thanks to a wide range of innovative services dedicated to the Internet of Things, devices connected to fitness sensors, cars, radios, air-conditioning systems, appliances, cameras, as well as entertainment, where this technology will provide a real immersive 3D experience;
- businesses - new production processes thanks to artificial intelligence, cloud and smart robotics;
- 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, as in the case of Venice.

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 PNRR (national recovery and resilience plan).

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

### Car, transport and ports

Starting June, 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 project, financed by the European Commission, involves the collaboration of other industry players and operators. The Company has trialled a solution dedicated to smart mobility, tested at the TIM Innovation Lab in Rome, based on the use of an autonomous-drive bus by Navya, integrated with the applications of the Smart Mobility and Smart City platforms and TIM's latest generation 5G network technology.

Turin has hosted a live test of new driver and pedestrian safety technology, which provides real time notification of the dangers of the road through the 5G-Edge networks.

The Company participates in the C-ROADS Italy project an enabler of the infrastructure dedicated to hybrid communication, i.e. based on the interaction between cellular and proximity communication; Finally, TIM has adhered to the MASA - Modena Automotive Smart Area project - the “open-air" laboratory for the experimentation and certification of new technologies in autonomous and assisted driving and mobility, making innovative solutions available, enabled by its 4G and 5G mobile radio networks as well as by Edge Computing technologies for applications in the car industry, related to mobility and traffic management.

### Drones and Smart Cities

TIM partners the new urban laboratory “Casa delle Tecnologie Emergenti [House of Emerging Technologies] of Turin - 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. While in Venice - Urban Genius is TIM's platform that uses the most innovative technologies, such as artificial intelligence and big data, for a holistic approach to analysis and support in managing a complex system like the city. Finally, in collaboration with Seikey, TIM has developed an innovative solution for simulating the effects of the passing of an exceptional full wave in the river Po through the residential center of Turin.

## 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.

## 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.

## 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.

During the first half of 2022, university collaborations had not yet been activated. As a general rule, they will continue on as for the previous year. A budget is expected to be allocated for around 800,000 euros to continue with the research projects currently in progress with 6 national universities on access, radio, optics, cloud and edge, innovative services.

Another important step in the support for research and innovation is the path undertaken by TIM with the financing of 30 three-year PhDs.

# Innovation, research and development in Brazil

The Architecture & Technology Evolution Department, which reports to the CTIO of TIM S.A. defines the guidelines for the technological evolution and the architectonic roadmap of networks and technologies for the medium/long-term. The department also assures the adoption of innovative technologies and the development of technical partnerships for the creation of new products and services.

## 5G in Brazil

In 2019, TIM S.A. began testing 5G technology, focused on the development of new products and services.

In 2021, ANATEL completed the regulation of the 5G auction and the draft tender notice.

The auction was held in November 2021 and TIM S.A. acquired 11 lots, with a total bid of 1.05 billion reais, in 3 frequency bandwidths: 3.5 GHz, 2.3 GHz and 26 GHz. The bandwidths acquired have a series of obligations that must be satisfied with financial contributions or the construction of mobile and fixed network infrastructures.

The main commitments associated with each bandwidth are:

- 2.3 GHz: 4G coverage in certain municipalities and areas (south and south-east regions);
- 3.5 GHz: 5G cover in all municipalities with a population of at least 30,000 inhabitants + backhaul fiber with obligations in 138 municipalities in addition to further contributions for the EAF ("Entidade Administradora da Faixa");
- 26 GHz: contributions to the EACE ("Entidade Administradora da Conectividade de Escolas") to develop connectivity projects in schools.

At present, ANATEL has approved a new program for the release of the 3.5 bandwidth GHz spectrum, operative in the Brazilian capital and the Federal District after August this year, for the marketing of 5G throughout Brazil.

In 2020, TIM introduced 5G DSS (Dynamic Spectrum Sharing) into its product portfolio with Ericsson, Huawei and Nokia. It was an initiative that allowed TIM S.A. customers to have top quality of services.

In April 2022, TIM took 5G connectivity to Agrishow trough ConectarAgro, an association that aims to promote connectivity in the countryside, accessible to rural producers throughout Brazil, to exploit the agricultural business. TIM made 5G DSS available to its customers during the event providing a differentiated browsing experience, which will evolve with the arrival of 5G Standalone (5G SA) in Brazil.

The TIM network infrastructure is prepared for the commercial activation of 5G. In March 2022, TIM announced completion of implementation of the 5G SA network, considered essential for the supply of fifth generation services.

# TIM GROUP HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2022

# CONTENTS

## HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2022 OF THE TIM GROUP

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## Assets

| (million euros) | | notes | 6/30/2022 | of which with related parties | 12/31/2021 | of which with related parties |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| **Intangible assets** | | | | | | |
| Goodwill | | 5) | 19,009 | — | 18,568 | — |
| Intangible assets with a finite useful life | | 6) | 7,899 | — | 7,147 | — |
| | | | **26,908** | — | **25,715** | — |
| **Tangible assets** | | 7) | | | | |
| Property, plant and equipment owned | | | **13,971** | — | **13,311** | — |
| **Rights of use assets** | | 8) | **5,554** | *304* | **4,847** | *301* |
| **Other non-current assets** | | | | | | |
| Investments in associates and joint ventures accounted for using the equity method | | 9) | 335 | — | 2,979 | — |
| Other investments | | 9) | 128 | — | 156 | — |
| Non-current financial receivables arising from lease contracts | | 10) | 50 | *1* | 45 | *1* |
| Other non-current financial assets | | 10) | 1,961 | — | 2,285 | — |
| Miscellaneous receivables and other non-current assets | | 11) | 2,343 | — | 2,266 | — |
| Deferred tax assets | | | 3,441 | — | 3,513 | — |
| | | | **8,258** | — | **11,244** | — |
| **Total Non-current assets** | **(a)** | | **54,691** | — | **55,117** | — |
| **Current assets** | | | | | | |
| Inventories | | | 324 | — | 282 | — |
| Trade and miscellaneous receivables and other current assets | | 12) | 4,481 | *76* | 4,358 | *80* |
| Current income tax receivables | | | 114 | — | 79 | — |
| Current financial assets | | 10) | | | | |
| *Current financial receivables arising from lease contracts* | | | *54* | *3* | *56* | — |
| *Securities other than investments, other financial receivables and other current financial assets* | | | *1,883* | — | *2,391* | — |
| *Cash and cash equivalents* | | | *2,391* | | *6,904* | |
| | | | 4,328 | — | 9,351 | — |
| **Current assets sub-total** | | | **9,247** | — | **14,070** | — |
| **Discontinued operations /Non-current assets held for sale** | | 13) | | | | |
| of a financial nature | | | — | — | — | — |
| of a non-financial nature | | | 2,631 | — | — | — |
| | | | **2,631** | — | **—** | — |
| **Total Current assets** | **(b)** | | **11,878** | — | **14,070** | — |
| **Total Assets** | **(b+a)** | | **66,569** | — | **69,187** | — |

## Equity and liabilities

| (million euros) | | notes | 6/30/2022 | of which with related parties | 12/31/2021 | of which with related parties |
|---|---|---|---|---|---|---|
| **Equity** | | 14) | | | | |
| **Capital issued** | | | 11,677 | — | 11,677 | — |
| less: Treasury shares | | | (63) | — | (63) | — |
| **Share capital** | | | 11,614 | — | 11,614 | — |
| Additional paid-in capital | | | 2,133 | — | 2,133 | — |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | | | 3,843 | — | 3,667 | — |
| **Equity attributable to owners of the Parent** | | | 17,590 | — | 17,414 | — |
| Non-controlling interests | | | 4,935 | — | 4,625 | — |
| **Total Equity** | | | 22,525 | — | 22,039 | — |
| **Non-current liabilities** | | | | | | |
| Non-current financial liabilities for financing contracts and others | | 15) | 21,762 | — | 23,437 | — |
| Non-current financial liabilities for lease contracts | | 15) | 4,707 | *250* | 4,064 | *269* |
| Employee benefits | | 19) | 812 | — | 699 | — |
| Deferred tax liabilities | | | 234 | — | 245 | — |
| Provisions | | 20) | 1,007 | — | 926 | — |
| Miscellaneous payables and other non-current liabilities | | 21) | 1,322 | *23* | 1,413 | *27* |
| **Total Non-current liabilities** | **(d)** | | 29,844 | | 30,784 | |
| **Current liabilities** | | | | | | |
| Current financial liabilities for financing contracts and others | | 14) | 3,768 | *3* | 5,945 | *1* |
| Current financial liabilities for lease contracts | | 14) | 782 | *75* | 651 | *74* |
| Trade and miscellaneous payables and other current liabilities | | 22) | 9,410 | *285* | 9,473 | *265* |
| Income tax payables | | | 239 | — | 295 | — |
| **Current liabilities sub-total** | | | 14,199 | | 16,364 | |
| **Liabilities directly associated with Discontinued operations/Non-current assets held for sale** | | 13) | | | | |
| of a financial nature | | | — | — | — | — |
| of a non-financial nature | | | 1 | — | — | — |
| | | | 1 | — | — | — |
| **Total Current Liabilities** | **(e)** | | 14,200 | — | 16,364 | — |
| **Total Liabilities** | **(f=d+e)** | | 44,044 | — | 47,148 | — |
| **Total Equity and Liabilities** | **(c+f)** | | 66,569 | — | 69,187 | — |

# SEPARATE CONSOLIDATED INCOME STATEMENTS

| (million euros) | notes | 1st Half 2022 | of which with related parties | 1st Half 2021 | of which with related parties |
|---|---|---|---|---|---|
| **Revenues** | 24) | **7,557** | *57* | **7,543** | *22* |
| Other income | | 78 | *2* | 169 | — |
| **Total operating revenues and other income** | | **7,635** | | **7,712** | |
| Acquisition of goods and services | | (3,385) | *(294)* | (3,113) | *(229)* |
| Employee benefits expenses | | (1,554) | *(48)* | (1,715) | *(44)* |
| Other operating expenses | | (342) | — | (424) | (1) |
| Change in inventories | | 35 | — | 49 | — |
| Internally generated assets | | 269 | — | 244 | — |
| **Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)** | | **2,658** | | **2,753** | |
| *of which: impact of non-recurring items* | 31) | *(292)* | | *(447)* | |
| Depreciation and amortization | | (2,295) | *(26)* | (2,268) | *(26)* |
| Gains (losses) on disposals of non-current assets | | 34 | — | (1) | — |
| Impairment reversals (losses) on non-current assets | | — | — | — | — |
| **Operating profit (loss) (EBIT)** | | **397** | | **484** | |
| *of which: impact of non-recurring items* | 31) | *(292)* | | *(447)* | |
| Share of profits (losses) of associates and joint ventures accounted for using the equity method | 9) | 31 | — | 22 | — |
| Other income (expenses) from investments | | — | — | 12 | — |
| Finance income | 25) | 773 | — | 546 | — |
| Finance expenses | 25) | (1,459) | *(10)* | (1,128) | *(9)* |
| **Profit (loss) before tax from continuing operations** | | **(258)** | | **(64)** | |
| *of which: impact of non-recurring items* | 31) | *(295)* | | *(448)* | |
| Income tax expense | | (102) | — | 7 | — |
| **Profit (loss) from continuing operations** | | **(360)** | | **(57)** | |
| **Profit (loss) from Discontinued operations/Non-current assets held for sale** | | **—** | | **—** | |
| **Profit (loss) for the period** | 27) | **(360)** | | **(57)** | |
| *of which: impact of non-recurring items* | 31) | *(289)* | | *(344)* | |
| Attributable to: | | | | | |
| **Owners of the Parent** | | **(483)** | | **(149)** | |
| Non-controlling interests | | 123 | | 92 | |

| (euros) | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Earnings per share:** | 27) | | |
| **(Basic) Earnings per share** | | | |
| Ordinary Share | | (0.02) | (0.01) |
| Savings Share | | (0.02) | (0.01) |
| *of which:* | | | |
| from Continuing operations attributable to Owners of the Parent | | | |
| Ordinary Share | | (0.02) | (0.01) |
| Savings Share | | (0.02) | (0.01) |
| **Diluted earnings per share** | | | |
| Ordinary Share | | (0.02) | (0.01) |
| Savings Share | | (0.02) | (0.01) |
| *of which:* | | | |
| from Continuing operations attributable to Owners of the Parent | | | |
| Ordinary Share | | (0.02) | (0.01) |
| Savings Share | | (0.02) | (0.01) |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 14

| (million euros) | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Profit (loss) for the period** | **(a)** | **(360)** | **(57)** |
| **Other components of the Consolidated Statements of Comprehensive Income** | | | |
| **Other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | | | |
| **Financial assets measured at fair value through other comprehensive income:** | | | |
| Profit (loss) from fair value adjustments | | (4) | 5 |
| Income tax effect | | — | — |
| | **(b)** | **(4)** | **5** |
| **Remeasurements of employee defined benefit plans (IAS19):** | | | |
| Actuarial gains (losses) | | 58 | 22 |
| Income tax effect | | (14) | (5) |
| | **(c)** | **44** | **17** |
| **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | — | — |
| Income tax effect | | — | — |
| | **(d)** | — | — |
| **Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | **(e=b+c+d)** | **40** | **22** |
| **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 | | (88) | (12) |
| Loss (profit) transferred to Separate Consolidated Income Statement | | 14 | (3) |
| Income tax effect | | 3 | 1 |
| | **(f)** | **(71)** | **(14)** |
| **Hedging instruments:** | | | |
| Profit (loss) from fair value adjustments | | 631 | 565 |
| Loss (profit) transferred to Separate Consolidated Income Statement | | (384) | (427) |
| Income tax effect | | (59) | (33) |
| | **(g)** | **188** | **105** |
| **Exchange differences on translating foreign operations:** | | | |
| Profit (loss) on translating foreign operations | | 715 | 307 |
| Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement | | — | — |
| Income tax effect | | — | — |
| | **(h)** | **715** | **307** |
| **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | — | — |
| Loss (profit) transferred to Separate Consolidated Income Statement | | — | — |
| Income tax effect | | — | — |
| | **(i)** | — | — |
| **Total other components that will be reclassified subsequently to Separate Consolidated Income Statement** | **(k=f+g+h+i)** | **832** | **398** |
| **Total other components of the Consolidated Statements of Comprehensive Income** | **(m=e+k)** | **872** | **420** |
| **Total comprehensive income (loss) for the period** | **(a+m)** | **512** | **363** |
| Attributable to: | | | |
| **Owners of the Parent** | | **170** | **175** |
| Non-controlling interests | | 342 | 188 |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Changes from January 1, 2021 to June 30, 2021

| (million euros) | Equity attributable to owners of the Parent: Share capital | Additional paid-in capital | Reserve for financial assets measured at fair value through other comprehensive income | Reserve for hedging instruments | Reserve for exchange differences on translating foreign operations | Reserve for remeasurements of employee defined benefit plans (IAS 19) | Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method: | Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | Total | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2020** | **11,588** | **2,133** | **20** | **(350)** | **(2,538)** | **(119)** | **—** | **15,481** | **26,215** | **2,625** | **28,840** |
| **Changes in equity during the period:** | | | | | | | | | | | |
| Dividends approved | — | — | — | — | — | — | — | (318) | **(318)** | (18) | **(336)** |
| Total comprehensive income (loss) for the period | — | — | (9) | 105 | 211 | 17 | — | (149) | **175** | 188 | **363** |
| Issue of equity instruments | 4 | — | — | — | — | — | — | 9 | **13** | — | **13** |
| FiberCop - capital increase | — | — | — | — | — | — | — | (98) | **(98)** | 1,848 | **1,750** |
| Daphne 3 - distribution of additional paid-in capital | — | — | — | — | — | — | — | — | **—** | (42) | **(42)** |
| Other changes | — | — | — | — | — | — | — | 7 | **7** | (9) | **(2)** |
| **Balance at June 30, 2021** | **11592** | **2,133** | **11** | **(245)** | **(2,327)** | **(102)** | **—** | **14,932** | **25,994** | **4,592** | **30,586** |

## Changes from January 1, 2022 to June 30, 2022 Note 14

| (million euros) | Equity attributable to owners of the Parent: Share capital | Additional paid-in capital | Reserve for financial assets measured at fair value through other comprehensive income | Reserve for hedging instruments | Reserve for exchange differences on translating foreign operations | Reserve for remeasurements of employee defined benefit plans (IAS 19) | Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method: | Other reserves and retained earnings (accumulated losses), including profit (loss) for the 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** |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| (million euros) | notes | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit (loss) from continuing operations | | (360) | (57) |
| Adjustments for: | | | |
| Depreciation and amortization | | 2,295 | 2,268 |
| Impairment losses (reversals) on non-current assets (including investments) | | 8 | (9) |
| Net change in deferred tax assets and liabilities | | 83 | (54) |
| Losses (gains) realized on disposals of non-current assets (including investments) | | (34) | 1 |
| Share of losses (profits) of associates and joint ventures accounted for using the equity method | | (31) | (22) |
| Change in provisions for employee benefits | | 241 | 256 |
| Change in inventories | | (37) | (55) |
| Change in trade receivables and other net receivables | | 77 | 134 |
| Change in trade payables | | (67) | (236) |
| Net change in income tax receivables/payables | | (62) | (235) |
| Net change in miscellaneous receivables/payables and other assets/liabilities | | 380 | (66) |
| **Cash flows from (used in) operating activities** | **(a)** | **2,493** | **1,925** |
| **Cash flows from investing activities:** | | | |
| Purchases of intangible, tangible and rights of use assets on a cash basis | | (2,589) | (1,960) |
| Capital grants received | | 3 | — |
| Acquisition of control of companies or other businesses, net of cash acquired | | (1,183) | — |
| Acquisitions/disposals of other investments | | (25) | (66) |
| Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets) | | 768 | (204) |
| Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of | | — | — |
| Proceeds from sale/repayments of intangible, tangible and other non-current assets | | 2 | 9 |
| **Cash flows from (used in) investing activities** | **(b)** | **(3,024)** | **(2,221)** |
| **Cash flows from financing activities:** | | | |
| Change in current financial liabilities and other | | (505) | (518) |
| Proceeds from non-current financial liabilities (including current portion) | | 228 | 1,912 |
| Repayments of non-current financial liabilities (including current portion) | | (3,635) | (2,108) |
| Changes in hedging and non-hedging derivatives | | (25) | — |
| Share capital proceeds/reimbursements (including subsidiaries) | | 7 | — |
| Dividends paid(*) | | (37) | (336) |
| Changes in ownership interests in consolidated subsidiaries | | (4) | 1,758 |
| **Cash flows from (used in) financing activities** | **(c)** | **(3,971)** | **708** |
| **Cash flows from (used in) Discontinued operations/Non-current assets held for sale** | **(d)** | **—** | **—** |
| **Aggregate cash flows** | **(e=a+b+c+d)** | **(4,502)** | **412** |
| **Net cash and cash equivalents at beginning of the period** | **(f)** | **6,904** | **4,508** |
| Net foreign exchange differences on net cash and cash equivalents | **(g)** | (19) | 48 |
| **Net cash and cash equivalents at end of the period** | **(h=e+f+g)** | **2,383** | **4,968** |
| (*) of which from related parties: | | — | 36 |

## Purchases of intangible, tangible and rights of use assets

| (million euros) | notes | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| Purchase of intangible assets | 5) | (603) | (661) |
| Purchase of tangible assets | 6) | (1,277) | (1,113) |
| Purchase of rights of use assets | 7) | (402) | (287) |
| Total purchase of intangible, tangible and rights of use assets on an accrual basis(*) | | (2,282) | (2,061) |
| Change in payables arising from purchase of intangible, tangible and rights of use assets | | (307) | 101 |
| Total purchases of intangible, tangible and rights of use assets on a cash basis | | (2,589) | (1,960) |
| (*) of which related parties: | | 26 | 7 |

## Additional Cash Flow information

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Income taxes (paid) received | (38) | (254) |
| Interest expense paid | (934) | (863) |
| Interest income received | 284 | 229 |
| Dividends received | 96 | 86 |

## Analysis of Net Cash and Cash Equivalents

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| **Net cash and cash equivalents at beginning of the period:** | | |
| Cash and cash equivalents - from continuing operations | 6,904 | 4,829 |
| Bank overdrafts repayable on demand – from continuing operations | — | (321) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | — | — |
| Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale | — | — |
| | **6,904** | **4,508** |
| **Net cash and cash equivalents at end of the period:** | | |
| Cash and cash equivalents - from continuing operations | 2,391 | 4,969 |
| Bank overdrafts repayable on demand – from continuing operations | (8) | (1) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | — | — |
| Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale | — | — |
| | **2,383** | **4,968** |

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these Half-Year Condensed Consolidated Financial Statements.

# NOTE 1
# FORM, CONTENT AND OTHER GENERAL INFORMATION

## Form and content

Telecom Italia S.p.A. (the "**Parent Company**"), also known in short as "TIM S.p.A.", and its subsidiaries form the **"TIM Group" (the "Group")**.
TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company's bylaws, extends until December 31, 2100.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group's Half-Year Condensed Consolidated Financial Statements at June 30, 2022, have been prepared on a going concern basis (further details are provided in the Note "Accounting Policies") and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "IFRS"), as well as laws and regulations in force in Italy.

The TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2022 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 2021 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, which are measured at the fair value recognized in the other components of the comprehensive income, financial assets measured at fair value through the income statement, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect fair value changes for hedged risks (fair value hedge).

For the sake of comparison, data from the statement of financial position at December 31, 2021, the separate consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows and changes in consolidated shareholders' equity for the first half of 2021, are also presented.
The TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2022 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, 2022 was approved by resolution of the Board of Directors on August 3, 2022.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2022 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 statements, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of properties, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory sanctions and related liabilities; other provisions for risks and charges and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on the goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.
Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

## Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources (for the TIM Group, the Board of Directors of the Parent) to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

In particular, the operating segments of the TIM Group are organized according to geographic location (Domestic and Brazil) for the telecommunications business.
The term "operating segment" is considered synonymous with "Business Unit".
The operating segments of the TIM Group are as follows:

- **Domestic**: includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group, which, at international level (Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the supply of passive access services to the secondary copper and fiber network, the business of Noovle S.p.A. (Cloud and Edge computing solutions), the business of Olivetti (products and services for Information Technology) and the units supporting the Domestic sector. See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil**: includes mobile and fixed telecommunications operations in Brazil (TIM S.A. group);
- **Other Operations**: include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

# NOTE 2
# ACCOUNTING POLICIES

## Going concern

The Half-Year Condensed Consolidated Financial Statements at June 30, 2022 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, the risks of recession are linked to the continuation of COVID-19, while the risks of inflation are linked to the increase costs of commodities and energy commodities, 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);
  - 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, 2021, 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, 2021, 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, 2022 are the same as those used to prepare the Consolidated Financial Statements at December 31, 2021, to which reference is made, with the exception of :

- amendments to accounting standards issued by the IASB and in force from January 1, 2022, hereinafter described;
- the alignments required by the nature of interim financial reporting.

Moreover, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2022, 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, 2022 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, 2021.

## New Standards and Interpretations endorsed by the EU and in force since 2022

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2022.

## Collection of changes of limited scope to the IFRSs

On June 28, 2021, Commission Regulation (EU) 2021/1080 was issued, implementing various amendments of limited scope to the IFRSs. The collection includes changes to three IFRSs as well as annual improvements to the IFRSs that regard minor, non-urgent changes (but which are necessary). These changes must be applied for all years starting after January 1, 2022. The following amendments have been issued:

- **IAS 16: "Property, plant and equipment" - Proceeds before intended use**

  The amendment prohibits a company from deducting from the cost of Property, plant and equipment amounts received from selling items produced while the company is preparing the asset for the intended use (e.g. proceeds from the sale of samples produced when testing a machine to see if it is functioning properly).

  The proceeds form the sale of any such samples, together with the costs for their production, must be noted on the income statement.

- **IAS 37: "Onerous contracts - Costs of fulfilling a contract"**
  The amendment clarifies the meaning of "costs of fulfilling a contract". The amendment clarifies that the direct costs for the execution of a contract include:

  a. incremental costs for fulfilling the contract (e.g. labor and direct materials); and

  b. an allocation of other costs directly related to the fulfillment of contracts (e.g. allocation of the depreciation share for an item of Property, plant and equipment used to fulfill a contract).

  The amendment also clarifies that, before determining a separate provision for an onerous contract, an entity must record any impairment loss applied to assets used in fulfilling the contract, rather than to assets dedicated to the contract.

  The change may entail the recording of more onerous provision as previously some entities only included the incremental costs in the costs for fulfilling a contract.

- **IFRS 3: "Reference to the conceptual framework"**
  The Board has updated IFRS 3 "Business combinations" to refer to the 2018 conceptual framework for financial reporting, in order to determine what exactly is an asset or a liability in a business combination. Before the amendment, IFRS 3 referred to the 2001 conceptual framework for the financial disclosure.

  These changes do not alter the accounting procedure envisaged for business combinations.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2022.

## Annual improvements to the IFRSs (2018–2020 cycle)

- **Amendment to IFRS 9 - Fees included in the 10 per cent test for derecognition of financial liabilities**

  This change establishes the commission to be included in the 10 per cent test for derecognition of financial liabilities (in the event of a change or exchange of a financial liability, IFRS 9 Financial instruments specifies a quantitative "10 per cent" test. This test assesses if the new contractual conditions between the borrower and creditor are substantively different from the original contractual conditions in determining whether or not the original financial liability should be derecognized.

  Costs or commissions may be paid to third parties or to the creditor. In accordance with the change, the costs or commissions paid to third parties will not be included in the 10 per cent test.

- **Amendment to the illustrative examples accompanying IFRS 16 "Leases"**
  The Board has amended Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of the reimbursement of leasehold improvements by the lessor. The reason for the amendment is to remove any potential confusion regarding how lease incentives should be processed.

- **Amendment to IFRS 1 "First-time adoption of the International Financial Reporting Standards"**
  The amendment simplifies the adoption of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent. IFRS 1 grants an exemption if a subsidiary adopts the IFRSs later than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in the consolidated financial statements of the parent, on the basis of the date of transfer of the parent company to the IFRSs, if no adjustments are made for the consolidation procedures and as a result of the corporate aggregation in which the parent acquired the subsidiary.

  The Board has amended IFRS 1 to allow entities that adopted this exemption from IFRS 1 to also measure the cumulative conversion differences using the amounts reported by the parent, on the basis of the transition date of the parent company to the IFRSs. The change to IFRS 1 extends this exemption to the cumulative conversion differences in order to reduce the costs for first-time adopters. This change will also apply to associates and joint ventures that have obtained the same exemption from IFRS 1.

All these changes are in force starting January 1, 2022 with early application permitted.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2022.

## 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 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction | 1/1/2023 |
| Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current | 1/1/2023 |
| **New Standards and Interpretations endorsed by the EU** | |
| Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors | 1/1/2023 |
| Amendments to IAS 1 - Presentation of Financial Statements | 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, 2022 compared to December 31, 2021 are listed below.

**Entry/exit/merger of subsidiaries into/out of the scope of consolidation:**

| Company | | Business Unit | Month |
|---|---|---|---|
| **Entry:** | | | |
| COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A. | New acquisition | Brazil | April 2022 |
| MINDICITY S.r.l. Benefit corporation | New acquisition | Domestic | May 2022 |

In addition to the above, changes in the scope of consolidation at June 30, 2022 compared to June 30, 2021 are listed below.

**Entry/exit/merger of subsidiaries into/out of the scope of consolidation:**

| Company | | Business Unit | Month |
|---|---|---|---|
| **Entry:** | | | |
| PANAMA DIGITAL GATEWAY S.A. | New establishment | Domestic | July 2021 |
| TIM SERVIZI DIGITALI S.p.A. | New establishment | Domestic | July 2021 |
| STAER SERVIZI S.r.l. | New acquisition | Domestic | September 2021 |
| OLIVETTI PAYMENT SOLUTIONS S.p.A. | New establishment | Domestic | December 2021 |
| **Exit:** | | | |
| I-SYSTEMS S.A. | Dilution | Brazil | November 2021 |
| **Mergers:** | | | |
| NOOVLE FRANCE Sasu | Merged into NOOVLE S.r.l. | Domestic | July 2021 |
| NOOVLE S.r.l. | Merged into NOOVLE S.p.A. | Domestic | October 2021 |

The breakdown by number of subsidiaries, joint ventures and associates of the TIM Group is as follows:

| | 6/30/2022 | | |
|---|---|---|---|
| **Companies:** | **Italy** | **Overseas** | **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** |

| Companies: | Italy | 12/31/2021<br>Overseas | Total |
|---|---|---|---|
| subsidiaries consolidated line-by-line | 20 | 45 | 65 |
| joint ventures accounted for using the equity method | 2 | — | 2 |
| associates accounted for using the equity method | 12 | 1 | 13 |
| **Total companies** | **34** | **46** | **80** |

| Companies: | Italy | 6/30/2021<br>Overseas | Total |
|---|---|---|---|
| subsidiaries consolidated line-by-line | 18 | 46 | 64 |
| joint ventures accounted for using the equity method | 2 | — | 2 |
| associates accounted for using the equity method | 10 | — | 10 |
| **Total companies** | **30** | **46** | **76** |

Further details are provided in the Note "List of companies of the TIM Group".

# NOTE 4
# BUSINESS COMBINATIONS

## Acquisition of the mobile telephone assets of Oi Móvel S.A.

On April 20, 2022, TIM S.A. (Brazilian subsidiary of the TIM Group), Telefônica Brasil S.A. and Claro S.A., after having fulfilled the conditions established by the Conselho Administrativo de Defesa Econômica (CADE) and the Agência Nacional de Telecomunicações (ANATEL), concluded the acquisition of the mobile telephone assets of Oi Móvel S.A. - Em Recuperação Judicial.

With the conclusion of the transaction, TIM S.A. now holds 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., a company that corresponds to part of the assets, rights and obligations of Oi Móvel acquired by the company.

The business combination was recognized provisionally in the accounts as follows:

- a consideration of 1,366 million euros.
- all Assets acquired and Liabilities undertaken of the acquired companies were measured for recognition at fair value.
- In addition to the value of the Assets acquired and Liabilities undertaken, temporary Goodwill equal to 371 million euros was recognized, determined as shown in the next table:

| | | **Values at fair value temporary**<br>(millions of euros) (*) | **Values at fair value temporary**<br>(million Brazilian reais) |
|---|---|---|---|
| **Valuation of the consideration** | **(a)** | **1,366** | **7,175** |
| **Value of assets acquired** | **(b)** | 1,751 | 9,194 |
| **Value of liabilities undertaken** | **(c)** | (756) | (3,970) |
| **Goodwill** | **(a–b-c)** | 371 | 1,951 |

(*) real/euro exchange rate 5.25403

**Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.– values at the acquisition date**

| | | Present values at fair value | Carrying amounts | Present values at fair value | Carrying amounts |
|---|---|---|---|---|---|
| | | (millions of euros)(*) | | (million Brazilian reais) | |
| Goodwill | | 371 | — | 1,951 | — |
| Other non-current assets | | 1,592 | 1,005 | 8,362 | 5,283 |
| Current assets | | 159 | 159 | 832 | 832 |
| *of which Cash and cash equivalents* | | *37* | *37* | *193* | *193* |
| **Total assets** | **(a)** | **2,122** | **1,164** | **11,145** | **6,115** |
| Total non-current liabilities | | 573 | 573 | 3,006 | 3,006 |
| *Of which Non-current financial liabilities* | | *459* | *459* | *2,413* | *2,413* |
| Total current liabilities | | 183 | 183 | 964 | 964 |
| *Of which Current financial liabilities* | | *98* | *98* | *517* | *517* |
| **Total liabilities** | **(b)** | **756** | **756** | **3,970** | **3,970** |
| **Net assets** | **(a-b)** | **1,366** | **408** | **7,175** | **2,145** |

(*) real/euro exchange rate 5.25403

During 2022 – 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.

Note also that if the acquisition of the mobile telephone assets of Oi Móvel S.A. had been completed by the date on which Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. was established, the consolidated condensed interim financial statements of the TIM Group as at June 30, 2022 would have recorded revenues approximately 130 million euros higher, with non-material impacts on the net result for the period attributable to the Owners of the Parent Company.

# NOTE 5
# GOODWILL

The item breaks down with the changes in the first half of 2022 shown below:

| (million euros) | 12/31/2021 | Increase | Decrease | Impairments | Exchange differences | 6/30/2022 |
|---|---|---|---|---|---|---|
| Domestic | **18,124** | 11 | | | | **18,135** |
| Brazil | **444** | 371 | | | 59 | **874** |
| Other Operations | **—** | | | | | **—** |
| **Total** | **18,568** | **382** | **—** | **—** | **59** | **19,009** |

With reference to the Brazil Cash Generating Unit, Goodwill recorded:

- an increase of 371 million euros relating to the recognition of provisional goodwill connected with the acquisition of some of the mobile telephone assets of Oi Móvel S.A. For more details, see the note "Business combinations";
- net exchange gains for 59 million euros. In particular, the exchange rate used to convert Brazilian reais into euros (expressed in terms of local currency units per 1 euro) went from 6.32047 as of December 31, 2021 to 5.44071 as of June 30, 2022.

The Goodwill of the Domestic cash generating unit shows an increase of 11 million euros relating to the booking of provisional goodwill connected with the May 2022 acquisition of control by Olivetti S.p.A. of Mindicity S.r.l. (8 million euros) and for the update of the price relating to the Olivetti S.p.A. acquisition of 100% of Staer Sistemi S.r.l. completed in September 2021 (3 million euros).

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 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, 2022, the company deemed it appropriate to carry out an impairment test on goodwill.

Impairment testing was carried out estimating the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated; all costs of the holding are allocated to the CGUs.

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, 2022, the value configuration used to determine the recoverable amount of the Domestic CGU is the fair value estimated on the basis of the income approach, insofar as this is considered able to best maximize the value of the Group's activities (the "market participant perspective"), also reflecting interventions on costs in view of a potential future new, different business structure.

For the Brazil CGU, the value configuration used is the fair value on the basis of market capitalization at the end of the period.

The values are expressed in local currency, and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For the Brazil CGU, the recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

For the Domestic CGU, the estimate of fair value on the basis of the income approach was made in compliance with IAS 36, with valuation principles and best practices, with reference to the flows of the 2022-2024 Industrial Plan, updated at 6/30/2022 to take into account the positive differences seen during the half-year; the plan: (i) reflects realistic expectations regarding future evolutions; (ii) brings into play careful cost cutting actions as preparation for the future business structure; (iii) maintains the perspective of use of assets of the domestic market continuing on with the current conditions. The expected cash flows reported in the 2022-2024 Industrial Plan approved by the Board of Directors have been critically analyzed and, with the support of expert and industrial appraisers, the average representativity has been assessed. Expected average cash flows for the 2022-2024 Industrial Plan were extrapolated for an additional two years, thus bringing the explicit forecast period for future cash flows to a total of five years (2022-2026). The extrapolation of data for 2025-2026 was necessary in order to intercept market, competition and industrial trends that will become manifest beyond the 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.

As regards the estimate of the terminal value, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2026, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the payment of the license and the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

The cost of capital used to discount the future cash flows in the estimates of fair value for the Domestic CGU:

- was estimated using the Capital Asset Pricing Model (CAPM), which is one of the generally accepted application criteria referred to in IAS 36;
- reflects current market estimates of the time value of money and the specific risks associated with the asset groups; includes appropriate yield premiums for country risk;
- was calculated using comparative market parameters to estimate the "Beta coefficient" and the weighting coefficient of the equity and debt capital components;
- reflects the post Russia-Ukraine war conditions;

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

| | Domestic |
|---|---|
| WACC | 5.51% |
| WACC before tax | 7.14% |
| Growth rate beyond the explicit period (g) | 0.79% |
| Capitalization rate after tax (WACC-g) | 4.72% |
| Capitalization rate before tax (WACC-g) | 6.35% |
| Capex/Revenues, perpetual | 15.68% |

The growth rate in the terminal value "g" of the Domestic CGU was estimated taking into account:

- the expected evolution of the demand of the various business areas, overseen in terms of investments and competences also from the subsidiaries Noovle and FiberCop;
- the increase recorded between 12/31/2021 and 6/30/2022 in the implicit inflation rate in the return at maturity of the Italian government ten-year benchmark.

The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The recoverable amount determined on the basis of the Fair Value estimated on the basis of the income approach is higher than the carrying amount including the goodwill attributed to the Domestic Cash Generating Unit.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

| (million euros) | Domestic | Brazil |
|---|---|---|
| Difference between recoverable and net carrying amounts | 805 | 397 |

Therefore, in light of all the above elements, at June 30, 2022 there was no evidence of impairment losses.

For the purpose of further verification, the value of the Domestic CGU was estimated according to a sum-of-the-parts (break-up) perspective, having assumed the value of the NetCo, EnterpriseCo and ConsumerCo components on the basis of the information announced on the Capital Market Day of July 7, 2022. The estimated value is higher than the recoverable amount determined based on the Fair Value estimated on the basis of the income approach (as explained above).

In estimating the recoverable amounts, simulations were conducted on the results with respect to changes in the relevant parameters. Below are the parameters that, if considered individually and on a consistent basis, make the recoverable value equal to the net carrying amount.

### Parameters that make the recoverable value equal to the carrying amount

| | Domestic |
|---|---|
| WACC before tax | 7.26% |
| Income growth rates beyond the explicit forecast period | 0.67% |
| Capex/Revenues, perpetual | 16.2% |

In addition to average normal cash flows, to take into account the market operator's perspective, sensitivity analyses were conducted on the risk factors identified with the Experts and to determine the recoverable value of the Domestic CGU. As a result of these analyses, the recoverable value is in any case higher than the net carrying amount.

With regard to the Brazilian CGU, the reduction in the price per share, compared to the reference quotation considered for the purposes of the valuation, which would make the recoverable value equal to the carrying amount is equal to 7%.

# NOTE 6

# INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

This item increased by 752 million euros compared to December 31, 2021. The breakdown and movements are as follows:

| (million euros) | 12/31/2021 | Investments | Amortization | Impairment (losses) / reversals | Disposals | Exchange differences | Capitalized borrowing costs | Other changes | 6/30/2022 |
|---|---|---|---|---|---|---|---|---|---|
| Industrial patents and intellectual property rights | **1,933** | 354 | (533) | | | 63 | | 249 | **2,066** |
| Concessions, licenses, | **3,376** | 78 | (199) | | | 100 | | 850 | **4,205** |
| Other intangible assets | **3** | | (2) | | | (1) | | 29 | **29** |
| Work in progress and advance | **1,835** | 171 | | | | 66 | 14 | (487) | **1,599** |
| **Total** | **7,147** | **603** | **(734)** | **—** | **—** | **228** | **14** | **641** | **7,899** |

Investments for the first half of 2022 include 118 million euros of internally generated assets (115 million euros in the first half of 2021).

Other changes essentially refer to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022 (Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.).

**Industrial patents and intellectual property rights** at June 30, 2022, essentially consist of the plant operation and application software purchased outright and user license, relating mainly to TIM S.p.A. (1,365 million euros), the Brazil Business Unit (457 million euros) and Noovle S.p.A. (153 million euros).

**Concessions, licenses, trademarks and similar rights** at June 30, 2022 mainly refer to the residual cost of telephone licenses and similar rights (2,796 million euros for TIM S.p.A. and 1,344 million euros for the Brazil Business Unit). During the first half of 2022, TIM S.p.A.'s rights of use of the 2100 MHz bandwidth became operative, as they were extended in FY 2021 until December 31, 2029.

**Intangible assets in progress and advance payments on account** mainly relate to:

- the Parent Company (1,033 million euros) of which 680 million euros relating to rights in 694–790 MHz (5G) bandwidth frequencies, not yet operating, of TIM S.p.A.;
- the Brazil Business Unit (502 million euros) connected with the rights to use 3.5 GHz frequencies (5G). For the latter, as the time period required for the assets to be ready for use is more than 12 months, in the first half of 2022, the related finance expenses of 14 million euros were capitalized. The capitalized finance expenses have been deducted directly from "finance expense".

The item also includes work in progress mainly related to software developments and investments for the digital evolution of Network Infrastructures.

# NOTE 7
# TANGIBLE ASSETS

## Property, plant and equipment owned

This item increased by 660 million euros compared to December 31, 2021. The breakdown and movements are as follows:

| (million euros) | 12/31/2021 | Investments | Depreciation | Impairment (losses) / reversals | Disposals | Exchange differences | Other changes | 6/30/2022 |
|---|---|---|---|---|---|---|---|---|
| Land | **232** | | | | | 1 | | **233** |
| Buildings (civil and industrial) | **597** | 17 | (18) | | | 2 | 54 | **652** |
| Plant and equipment | **11,254** | 905 | (1,054) | | (12) | 243 | 564 | **11,900** |
| Manufacturing and distribution equipment | **19** | 2 | (4) | | | | 1 | **18** |
| Other | **367** | 41 | (78) | | (1) | 16 | 26 | **371** |
| Construction in progress and advance payments | **842** | 312 | | | | 14 | (371) | **797** |
| **Total** | **13,311** | **1,277** | **(1,154)** | **—** | **(13)** | **276** | **274** | 13,971 |

Investments for the first half of 2022 include 151 million euros of internally generated assets (129 million euros in the first half of 2021).

Other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022 (Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.).

**Land** comprises both built-up land and available land and is not subject to depreciation. The figure at June 30, 2022 refers primarily to TIM S.p.A. (187 million euros) and Noovle (33 million euros).

**Civil and industrial buildings** mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The figure at June 30, 2022 refers primarily to TIM S.p.A. (435 million euros) and Noovle S.p.A. (189 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, 2022 is mainly attributable to TIM S.p.A. (5,707 million euros), to FiberCop S.p.A. (3,704 million euros) and to the Brazil Business Unit (2,077 million euros).

**Manufacturing and distribution equipment** consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A..

The item **Other** mainly consists of hardware for the functioning of the Data Center and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

**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

This item increased by 707 million euros compared to December 31, 2021. The breakdown and movements are as follows:

| (million euros) | 12/31/2021 | Investments | Increases in lease contracts | Amortization | Disposals | Exchange differences | Other changes | 6/30/2022 |
|---|---|---|---|---|---|---|---|---|
| Property | 2,848 | 4 | 113 | (186) | (1) | 49 | 148 | **2,975** |
| Plant and equipment | 1,847 | 6 | 251 | (202) | (1) | 143 | 388 | **2,432** |
| Other tangible assets | 119 | | 12 | (19) | (2) | | 2 | **112** |
| Construction in progress and advance payments | 30 | 8 | | | | | (18) | **20** |
| Intangible assets | 3 | 8 | | | | | 4 | **15** |
| **Total** | **4,847** | **26** | **376** | **(407)** | **(4)** | **192** | **524** | **5,554** |

Capital expenditures in the first half of 2022 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 376 million euros, refer in particular to the Brazil Business Unit (291 million euros) and the Domestic Business Unit (85 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 refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. and also include the start-up and changes connected with the lesser value of the rights of use recorded as a result of contractual changes during the period.

The item **Property** includes buildings and land under leases and the related building adaptations, essentially attributable to the Parent Company (2,315 million euros) and the Brazil Business Unit (541 million euros) and Noovle S.p.A.  (92 million euros).

The item **Plant and equipment** mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (1,548 million euros), the Parent (586 million euros), the Telecom Italia Sparkle group (168 million euros) and FiberCop S.p.A. (130 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

The item **Other tangible assets** mainly comprises the rights of use on leases on vehicles. In addition, the right of use for the lease of the business unit relating to all the assets organized for the full performance of the "construction", "delivery" and "assurance" activities for telecommunications networks and equipment, deriving from the contract entered into between TIM Servizi Digitali S.p.A. and Sittel S.p.A., is recorded herein for an amount of 16 million euros. The corresponding financial lease liability for the obligation to comply with the contractual payments is recorded against the right of use.

**Intangible assets** mainly includes Telecom Italia Sparkle rights of use of transmission frequencies on optic fiber carriers not illuminated by the undersea cable Monet and the recording as a lease of a Software as a Service (SaaS) contract, in respect of which the Parent Company TIM S.p.A. has acquired the right to make exclusive use of software licenses residing on partitions of third party hardware platforms dedicated exclusively to the Company.

# NOTE 9
# INVESTMENTS

**Investments in associates and joint ventures accounted for using the equity method** are reported below in detail.

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| I-Systems S.A. | | 290 | 253 |
| Satispay S.p.A. | | — | 20 |
| ITALTEL S.p.A. | | 10 | — |
| NordCom S.p.A. | | 6 | 6 |
| W.A.Y. S.r.l. | | 3 | 4 |
| QTI S.r.l | | 2 | 2 |
| Other | | 2 | 3 |
| **Total Associates** | **(a)** | **313** | **288** |
| INWIT S.p.A. | | — | 2,669 |
| TIMFin S.p.A. | | 22 | 22 |
| **Total Joint Ventures** | **(b)** | **22** | **2,691** |
| **Total investments accounted for using the equity method** | **(a+b)** | **335** | **2,979** |

The changes to the item **Investments in associates and joint ventures accounted for using the equity method** during the first half of 2022, are as follows:

| (million euros) | 12/31/2021 | Investments | Disposals and reimbursements of capital | Valuation using equity method | Other changes | 6/30/2022 |
|---|---|---|---|---|---|---|
| I-Systems S.A. | 253 | | | (4) | 41 | **290** |
| Satispay S.p.A. | 20 | | | | (20) | **—** |
| ITALTEL S.p.A. | | 10 | | | | **10** |
| NordCom S.p.A. | 6 | | | | | **6** |
| W.A.Y. S.r.l. | 4 | | | (1) | | **3** |
| QTI S.r.l | 2 | | | | | **2** |
| Other | 3 | | | (1) | | **2** |
| **Total Associates** | **288** | **10** | **—** | **(6)** | **21** | **313** |
| INWIT S.p.A. | 2,669 | | | (59) | (2,610) | **—** |
| TIMFin S.p.A. | 22 | | | | | **22** |
| **Total Joint Ventures** | **2,691** | **—** | **—** | **(59)** | **(2,610)** | **22** |
| **Total investments accounted for using the equity method** | **2,979** | **10** | **—** | **(65)** | **(2,589)** | **335** |

In particular, under the scope of the reorganization of Italtel S.p.A. and following arrangements reached with creditors and approved by the Court of Milan in December 2021, on April 1, 2022, TIM S.p.A. subscribed to part of the company's share capital increase, taking the share held by the TIM Group in Italtel S.p.A. to 17.72%.

Italtel S.p.A. is also subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures).

With reference to the investment in INWIT:

- "valuation using the equity method" of the investment in INWIT includes:
  - the portion, pertaining to the positive economic result of INWIT, including the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (35 million euros) has been allocated;
  - the reduction in the carrying amount of the equity investment for dividends received in the first half (94 million euros);
- the "other changes" flow refers to the reclassification at June 30, 2022 of the equity investment in INWIT, to the item "Discontinued assets/Non-current assets held for sale" following the probable forthcoming completion of the acquisition by a consortium led by Ardian, world leading private investment company, of a 41% share held by TIM in the holding company Daphne 3 S.p.A., which currently, in turn, holds a 30.2% share in INWIT.

The "other changes" of other investments in associates mainly 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 "List of companies of the TIM Group".

**Other investments** refer to the following:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Fin.Priv. S.r.l. | 19 | 22 |
| Northgate CommsTech Innovations Partners L.P. | 20 | 17 |
| UV T-Growth | 12 | 12 |
| SECO S.p.A. | 64 | 92 |
| Other | 13 | 13 |
| **Total** | **128** | **156** |

At June 30, 2022, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 4.6 million USD, equal to approximately 4.4 million euros at the exchange rate as at June 30, 2022;
- of the UV T-Growth fund in the amount of 48 million euros.

As permitted by IFRS 9, TIM now measures Other Investments at "fair value through other comprehensive income (FVTOCI)".

# NOTE 10
# NON-CURRENT AND CURRENT FINANCIAL ASSETS

**Non-current and current financial assets** were broken down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Other non-current financial assets** | | | |
| Securities other than investments | | — | — |
| Receivables from employees | | 40 | 39 |
| Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature | | 1,795 | 1,935 |
| Non-hedging derivatives | | 114 | 100 |
| Other financial receivables | | 12 | 211 |
| | | **1,961** | **2,285** |
| **Financial receivables for lease contracts** | | **50** | **45** |
| **Total non-current financial assets** | **(a)** | **2,011** | **2,330** |
| | | | |
| **Securities other than investments, other financial receivables and other current financial assets** | | | |
| **Securities other than investments** | | | |
| Measured at amortized cost (AC) | | — | — |
| Measured at fair value through other comprehensive income (FVTOCI) | | 1,319 | 1,515 |
| Measured at fair value through profit or loss (FVTPL) | | 213 | 734 |
| | | **1,532** | **2,249** |
| **Financial receivables and other current financial assets** | | | |
| Liquid assets with banks, financial institutions and post offices (with maturity over 3 months) | | — | — |
| Receivables from employees | | 12 | 12 |
| Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature | | 81 | 80 |
| Non-hedging derivatives | | 48 | 41 |
| Other short-term financial receivables | | 210 | 9 |
| | | **351** | **142** |
| | **(b)** | **1,883** | **2,391** |
| **Financial receivables for lease contracts** | **(c)** | **54** | **56** |
| | | | |
| **Cash and cash equivalents** | **(d)** | **2,391** | **6,904** |
| | | | |
| **Total current financial assets** | **e=(b+c+d)** | **4,328** | **9,351** |
| **Financial assets relating to Discontinued operations/Non-current assets held for sale** | **(f)** | **—** | **—** |
| **Total non-current and current financial assets** | **g=(a+e+f)** | **6,339** | **11,681** |

**Financial receivables for lease contracts** refer to:

- finance leases on user rights and equipment;
- commercial offers for TIM Consumer and Business customers involving the rental of ADSL routers;
- agreements for the sale of network infrastructure in IRU with deferred collection over time recognized using the financial method envisaged by IFRS 16 given the contractual term substantially close to the economic life of the asset;
- lease contracts for commercial products with customers. The financial receivables for lease assets are offset by the financial debt for the corresponding leases payable.

**Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature** mainly refer to the mark-to-market spot valuation component of the hedging derivatives, whereas **hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature** refer to accrued income on such derivative contracts.

**Non-hedging derivatives** consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 99 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Further details are provided in the Note “Derivatives”.

**Other financial receivables** refer 207 million euros to the loan that TIM S.p.A. is owed by Ardian (through the financial vector Impulse I) following the transaction by means of which TIM S.p.A. conferred 30.2% of INWIT’s shares to Daphne 3.

**Securities other than investments** included in current financial assets relate to:

- 1,532 million euros of listed securities, of which 569 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 750 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;
- 213 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 3/1/2023 and 150 million euros of BTP 4/15/2021; starting December 1, 2019, TIM S.p.A loans these securities to the counterparty NatWest.

On January 27, 2021, TIM S.p.A. renewed the securities lending agreement in place with Telecom Italia Finance S.A., which envisages the lending until February 15, 2023 of 98 million euros (nominal) of BTP 3/1/2023.

On January 29, 2021, TIM S.p.A. borrowed until October 5, 2023 (subject to renewal) 24 million euros (nominal) in BTP 10/15/2023 and 67.5 million euros (nominal) in BTP 2/1/2026; furthermore TIM S.p.A. lent the counterparty NatWest said securities in compliance with the agreement stipulated on December 21, 2020.

From an accounting standpoint, in compliance with IAS/IFRS, the assets are shown exclusively in the financial statements of Telecom Italia Finance S.A., which retains the risks and benefits associated with the position.

Further details are provided in the Note “Accounting policies”.

**Cash and cash equivalents** decreased by 4,513 million euros compared to December 31, 2021 and were broken down as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Liquid assets with banks, financial institutions and post offices | 2,179 | 6,092 |
| Checks, cash and other receivables and deposits for cash flexibility | — | — |
| Securities other than investments (due within 3 months) | 212 | 812 |
| **Total** | **2,391** | **6,904** |

The different technical forms of use of available cash at June 30, 2022 had the following characteristics:

- maturities: investments have a maximum maturity of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating of at least BBB according to Standard & Poor’s with regard to Europe, and with leading local counterparts with regard to investments in South America;
- country risk: deposits have been made mainly in major European financial markets.

Securities other than investments (due within three months) included 212 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

The item rose compared to December 31, 2021, by 77 million euros and is broken down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Miscellaneous receivables (non-current)** | (a) | 489 | 433 |
| **Other non-current assets** | | | |
| Deferred contract costs | | 1,760 | 1,755 |
| Other cost deferrals | | 94 | 78 |
| | (b) | 1,854 | 1,833 |
| **Total** | (a+b) | 2,343 | 2,266 |

**Miscellaneous receivables (non-current)** totaled 489 million euros (433 million euros at December 31, 2021) and included Non-current income tax receivables of 171 million euros (147 million euros at December 31, 2021).

This item was mainly due to the Brazil Business Unit (434 million euros; 379 million euros at December 31, 2021).

More specifically, at June 30, 2022, the Brazil Business Unit showed non-current receivables relating to indirect tax for 143 million euros (137 million euros at December 31, 2021) and to direct tax for 140 million euros (116 million euros at December 31, 2021).

Non-current receivables also include receivables for court deposits of 130 million euros (116 million euros at December 31, 2021).

**Other non-current assets** amounted to 1,854 million euros (1,833 million euros at December 31, 2021). They mainly break down as follows:

- **Deferred contract costs** of 1,760 million euros (1,755 million euros at December 31, 2020), 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 2,331 million euros (2,297 million euros at December 31, 2021) and break down as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| **Deferred contract costs** | | |
| Non-current deferred contract costs | 1,760 | 1,755 |
| Current deferred contract costs | 571 | 542 |
| **Total** | 2,331 | 2,297 |

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| **Deferred contract costs** | | |
| Contract acquisition costs | 1,295 | 1,246 |
| Contract execution costs | 1,036 | 1,051 |
| **Total** | 2,331 | 2,297 |

Deferred contract costs will be recognized in the income statements for future years and, in particular, for approximately 313 million euros in the second half of 2022 and for approximately 539 million euros in 2023, based on the amount at June 30, 2022 without taking into account the new deferred portions.

| (million euros) | 6/30/2022 | period of recognition in the income statement | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2nd Half 2022 | Year 2023 | Year 2024 | Year 2025 | Year 2026 | After 2026 |
| Contract acquisition costs | 1,295 | 204 | 320 | 250 | 188 | 128 | 205 |
| Contract execution costs | 1,036 | 109 | 219 | 204 | 168 | 124 | 212 |
| **Total** | 2,331 | 313 | 539 | 454 | 356 | 252 | 417 |

- **Other deferred costs** of 94 million euros, mainly attributable to the Parent Company (38 million euros), the companies of the Telecom Italia Sparkle group (40 million euros) and the Brazil Business Unit (12 million euros).

# NOTE 12

# TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

The item rose by 123 million euros compared to December 31, 2021. The figure breaks down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Trade receivables** | | | |
| Receivables from customers | | 1,634 | 1,545 |
| Receivables from other telecommunications operators | | 1,115 | 1,130 |
| | (a) | 2,749 | 2,675 |
| **Miscellaneous receivables (current)** | | | |
| Receivables due from others | (b) | 555 | 780 |
| **Other current assets** | | | |
| Contract assets | | 19 | 20 |
| Deferred contract costs | | 571 | 542 |
| Other cost deferrals | | 525 | 273 |
| Other | | 62 | 68 |
| | (c) | 1,177 | 903 |
| **Total** | (a+b+c) | 4,481 | 4,358 |

**Trade receivables** at June 30, 2022 amounted to 2,749 million euros (2,675 million euros at December 31, 2021) and are stated net of the provision for bad debts of 531 million euros (565 million euros at December 31, 2021). They included 14 million euros (9 million euros at December 31, 2021) of medium/long-term receivables, of which 10 million euros for agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables mainly related to TIM S.p.A. (1,792 million euros) and to the Brazil Business Unit (680 million euros).

**Miscellaneous receivables (current)** refer to other receivables amounting to 555 million euros (780 million euros at December 31, 2021) and are net of a provision for bad debts of 48 million euros (46 million euros at December 31, 2021). Details are as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Advances to suppliers | 92 | 270 |
| Receivables from employees | 14 | 10 |
| Tax receivables | 214 | 268 |
| Receivables for grants from the government and public entities | 12 | 14 |
| Sundry receivables | 223 | 218 |
| **Total** | 555 | 780 |

Tax receivables mainly relate to the Brazil Business Unit (194 million euros) and are related to local indirect taxes.

Receivables for grants from the government and public entities (12 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 (38 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (28 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, 2022 amounted to 19 million euros (20 million euros at December 31, 2021) - net of the related write-down provision of 1 million euros - a decrease of 1 million euros compared to December 31, 2021 since the reversal to the income statements of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;

- **Deferred contract costs** amount to 571 million euros (542 million euros at December 31, 2021) 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 "Miscellaneous receivables and other non-current assets".

- **Other deferred costs** mainly concern:
  - the Parent Company essentially for: a) costs related to rental charges and other lease and rental costs (249 million euros); b) costs for the purchase of products and services (60 million euros); c) after-sales expenses on application offers (23 million euros); d) maintenance fees (18 million euros); e) insurance premiums (10 million euros);
  - the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (15 million euros);
  - the Brazil Business Unit for 120 million euros, including the deferral of costs for the use of transmission capacity, the deferral of the expense connected with the contribution for the telecommunications business (FISTEL) and also for items relating to maintenance contracts, insurance and marketing activities, in total approximately 25 million euros.

# NOTE 13

# DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE

On April 14, 2022, TIM and Ardian, world leading private investment company, reached an agreement for the acquisition by a consortium led by Ardian of a 41% share held by TIM in the holding company Daphne 3 S.p.A., which currently, in turn, holds a 30.2% share in Infrastrutture Wireless Italiane S.p.A. ("INWIT").

On completion of the transaction, the consortium led by Ardian will hold a 90% stake in the capital of Daphne 3 S.p.A. The agreement reached is based on a valuation of the INWIT share of 10.75 euros (*cum dividend*) and corresponds to a collection for TIM of approximately 1.3 billion euros, in addition to the repayment of the loan for approximately 200 million euros, granted by TIM to Ardian following the 2020 transaction by means of which TIM S.p.A. conferred 30.2% of INWIT's shares to Daphne 3.

The agreements were structured in such a way as to avoid any public purchase offer obligations. Following closing, Ardian will hold full, exclusive control of Daphne 3 S.p.A., while TIM will be granted certain minority governance rights, both on Daphne 3 S.p.A. and INWIT S.p.A., according to the protection of the investment made.

Completion of the transaction is subject to the fulfillment of certain conditions precedent, including Antitrust authorization, authorization pursuant to the Golden Power regulation and will determine the wind-up of the shareholders' agreement with Vodafone Europe and Central Tower Holding Company.

At June 30, 2022, considering the forthcoming completion of the transaction to be highly likely, the assets and liabilities of Daphne 3 S.p.A. have been reclassified in the "Discontinued operations/Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale" items of the Consolidated Statements of Financial Position.

"Discontinued assets/Non-current assets held for sale" also includes the value of another equity investment considered very likely to be sold soon.

Below is the breakdown of Assets held for sale and the directly-related Liabilities:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Discontinued operations/Non-current assets held for sale:** | | | |
| of a financial nature | | — | — |
| of a non-financial nature | | 2,631 | — |
| **Total** | **(a)** | **2,631** | **—** |
| **Liabilities directly associated with Discontinued operations/Non-current assets held for sale** | | | |
| of a financial nature | | — | — |
| of a non-financial nature | | 1 | — |
| **Total** | **(b)** | **1** | **—** |
| **Net value of assets held for sale** | **(a-b)** | **2,630** | **—** |

**Non-financial assets** are broken down as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| **Non-current assets** | | |
| *Other non-current assets* | *2,631* | — |
| | **2,631** | **—** |
| **Current assets** | **—** | **—** |
| **Total** | **2,631** | **—** |

**Non-financial liabilities** are broken down as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| **Non-current liabilities** | **1** | **—** |
| **Current liabilities** | **—** | **—** |
| **Total** | **1** | **—** |

# NOTE 14
# EQUITY

This item consisted of:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Equity attributable to owners of the Parent | 17,590 | 17,414 |
| Non-controlling interests | 4,935 | 4,625 |
| **Total** | **22,525** | **22,039** |

The breakdown of **Equity attributable to Owners of the Parent** is provided below:

| (million euros) | 6/30/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| Share capital | | 11,614 | | 11,614 |
| Additional paid-in capital | | 2,133 | | 2,133 |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | | 3,843 | | 3,667 |
| Reserve for financial assets measured at fair value through other comprehensive income | (26) | | 49 | |
| Reserve for hedging instruments | 60 | | (128) | |
| Reserve for exchange differences on translating foreign operations | (2,004) | | (2,500) | |
| Reserve for remeasurements of employee defined benefit plans (IAS 19) | (86) | | (130) | |
| Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method: | — | | — | |
| Other reserves and retained earnings, including profit (loss) for the period | 5,899 | | 6,376 | |
| **Total** | | **17,590** | | **17,414** |

In accordance with the resolution passed by the Shareholders' Meeting on April 7, 2022, the loss booked for FY 2021, resulting form the financial statements of the Parent Company TIM S.p.A. (8,314 million euros) has been covered by using profit carried forward (7,357 million euros) and reserves (957 million euros).

At June 30, 2022, capital came to 11,614 million euros, net of treasury shares for 63 million euros. The share capital was unchanged compared to December 31, 2021.

The restriction on tax suspension for fiscal purposes applies to:

- share capital of the Parent Company for an amount of 11,104 million euros, unchanged on December 31, 2021 and inclusive of 9,913 million restricted in accordance with Decree Law 104/2020, art. 110, subsection 8;
- Parent Company reserves for an amount of 5,967 million euros, including 4,132 million restricted in accordance with Decree Law 104/2020, art. 110, subsection 8.

Movements in share capital during the first half of 2022 are shown in the tables below:

**Reconciliation between the number of shares outstanding at December 31, 2021 and June 30, 2022**

| (number of shares) | | as at 12/31/2021 | Share assignment/issue | as at 6/30/2022 | % of share capital |
|---|---|---|---|---|---|
| Ordinary shares issued | (a) | 15,329,466,496 | — | 15,329,466,496 | 71.78 |
| less: treasury shares | (b) | (115,942,196) | — | (115,942,196) | |
| Ordinary shares outstanding | (c) | 15,213,524,300 | — | 15,213,524,300 | |
| Savings shares issued and outstanding | (d) | 6,027,791,699 | — | 6,027,791,699 | 28.22 |
| **Total TIM S.p.A. shares issued** | **(a+d)** | **21,357,258,195** | **—** | **21,357,258,195** | **100.00** |
| **Total TIM S.p.A. shares outstanding** | **(c+d)** | **21,241,315,999** | **—** | **21,241,315,999** | |

**Reconciliation between the value of shares outstanding at December 31, 2021 and June 30, 2022**

| (million euros) | | Share Capital at 12/31/2021 | Change in share capital | Share Capital at 6/30/2022 |
|---|---|---|---|---|
| Ordinary shares issued | (a) | 8,381 | — | **8,381** |
| less: treasury shares | (b) | (63) | — | **(63)** |
| Ordinary shares outstanding | (c) | 8,318 | — | **8,318** |
| Savings shares issued and outstanding | (d) | 3,296 | — | **3,296** |
| **Total TIM S.p.A. share capital issued** | **(a+d)** | **11,677** | **—** | 11,677 |
| **Total TIM S.p.A. share capital outstanding** | **(c+d)** | **11,614** | **—** | 11,614 |

## Future potential changes in share capital

Details of “Future potential changes in share capital” are presented in the Note “Earnings per share”.

# NOTE 15
# NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

**Non-current and current financial liabilities** (gross financial debt) are broken down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Non-current financial liabilities for financing contracts and others** | | | |
| **Financial payables (medium/long-term):** | | | |
| Bonds | | 16,414 | 17,383 |
| Convertible bonds | | — | — |
| Amounts due to banks | | 4,516 | 4,394 |
| Other financial payables | | 332 | 306 |
| | | **21,262** | **22,083** |
| **Other medium/long-term financial liabilities:** | | | |
| Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature | | 461 | 1,337 |
| Non-hedging derivatives | | 39 | 17 |
| Other liabilities | | — | — |
| | | **500** | **1,354** |
| | **(a)** | **21,762** | **23,437** |
| **Non-current financial liabilities for lease contracts** | **(b)** | **4,707** | **4,064** |
| **Total non-current financial liabilities** | **c=(a+b)** | **26,469** | **27,501** |
| | | | |
| **Current financial liabilities for financing contracts and others** | | | |
| **Financial payables (short term):** | | | |
| Bonds | | 1,683 | 1,514 |
| Convertible bonds | | — | 1,998 |
| Amounts due to banks | | 1,678 | 2,099 |
| Other financial payables | | 142 | 236 |
| | | **3,503** | **5,847** |
| **Other short-term financial liabilities:** | | | |
| Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature | | 202 | 62 |
| Non-hedging derivatives | | 63 | 36 |
| Other liabilities | | — | — |
| | | **265** | **98** |
| | **(d)** | **3,768** | **5,945** |
| **Current financial liabilities for lease contracts** | **(e)** | **782** | **651** |
| **Total current financial liabilities (*)** | **f=(d+e)** | **4,550** | **6,596** |
| **Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale** | **(g)** | **—** | **—** |
| **Total Financial liabilities (Gross financial debt)** | **h=(c+f+g)** | **31,019** | **34,097** |

Gross financial debt according to the original currency of the transaction is as follows:

| | 6/30/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| | (millions of foreign currency) | (million euros) | (millions of foreign currency) | (million euros) |
| USD | 5,906 | 5,686 | 5,789 | 5,111 |
| GBP | 378 | 440 | 389 | 463 |
| BRL | 16,952 | 3,116 | 12,694 | 2,008 |
| YEN | 20,029 | 141 | 20,030 | 154 |
| ILS | 51 | 14 | 51 | 14 |
| EUR | | 21,622 | | 26,347 |
| **Total** | | **31,019** | | **34,097** |

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Additional 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) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Up to 2.5% | 8,394 | 8,619 |
| From 2.5% to 5% | 10,982 | 12,872 |
| From 5% to 7.5% | 6,506 | 7,055 |
| From 7.5% to 10% | 2,044 | 1,971 |
| Over 10% | 1,822 | 1,437 |
| Accruals/deferrals, MTM and derivatives | 1,271 | 2,143 |
| **Total** | **31,019** | **34,097** |

Following the use of hedging derivative instruments, on the other hand, gross financial debt by nominal interest rate level is:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Up to 2.5% | 12,916 | 15,353 |
| From 2.5% to 5% | 9,899 | 9,936 |
| From 5% to 7.5% | 2,996 | 3,396 |
| From 7.5% to 10% | 1,135 | 1,334 |
| Over 10% | 2,802 | 1,935 |
| Accruals/deferrals, MTM and derivatives | 1,271 | 2,143 |
| **Total** | **31,019** | **34,097** |

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

### Details of the maturities of financial liabilities – at nominal repayment amount:

| | maturing by 6/30 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | 2023 | 2024 | 2025 | 2026 | 2027 | After 2027 | Total |
| Bonds | 1,437 | 4,444 | 1,000 | 2,750 | — | 8,080 | 17,711 |
| Loans and other financial liabilities | 873 | 1,426 | 532 | 826 | 1,564 | (50) | 5,171 |
| Finance lease liabilities | 736 | 1,049 | 569 | 515 | 486 | 2,088 | 5,443 |
| **Total** | **3,046** | **6,919** | **2,101** | **4,091** | **2,050** | **10,118** | **28,325** |
| Current financial liabilities | 1,046 | — | — | — | — | — | 1,046 |
| **Total** | **4,092** | **6,919** | **2,101** | **4,091** | **2,050** | **10,118** | **29,371** |

The main components of financial liabilities are commented below.

**Bonds** are broken down as follows:

| (million euros) | 6/30/2022 | 12/31/2021 |
|---|---|---|
| Non-current portion | 16,414 | 17,383 |
| Current portion | 1,683 | 1,514 |
| **Total carrying amount** | **18,097** | **18,897** |
| Fair value adjustment and measurements at amortized cost | (386) | (559) |
| **Total nominal repayment amount** | **17,711** | **18,338** |

The nominal repayment amount of bonds totaled 17,711 million euros, down by 2,627 million euros compared to December 31, 2021 (20,338 million euros) as a result of repayments made during the first half of 2022.

The change in bonds in the first half of 2022 was as follows:

## Repayments

| (millions of original currency) | Currency | Amount | Repayment date |
|---|---|---|---|
| **Repayments** | | | |
| Telecom Italia S.p.A 2002-2022 reserved for subscription by employees | Euro | 214 | 1/01/2022 |
| Telecom Italia S.p.A. 1,250 million euros 5.25% [1] | Euro | 884 | 10-Feb-22 |
| Telecom Italia S.p.A. 2,000 million euros 1.125% Convertible bond | Euro | 2,000 | 26-Mar-22 |

(1) Net of buy-backs totaling 366 million euros made by the company in 2015.

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond repurchases, and also at market value:

| Currency | Total (millions) | Nominal repayment amount (million euros) | Coupon | Issue date | Maturity date | Issue price (%) | Market price at 6/30/2022 (%) | Market value at 6/30/2022 (million euros) |
|---|---|---|---|---|---|---|---|---|
| **Bonds issued by TIM S.p.A.** | | | | | | | | |
| Euro | 1,000 | 1,000 | 3.250% | 1/16/2015 | 1/16/2023 | 99.446 | 100.235 | 1,002 |
| GBP | 375 | 437 | 5.875% | 5/19/2006 | 5/19/2023 | 99.622 | 101.203 | 442 |
| Euro | 1,000 | 1,000 | 2.500% | 1/19/2017 | 7/19/2023 | 99.288 | 99.128 | 991 |
| Euro | 750 | 750 | 3.625% | 1/20/2016 | 1/19/2024 | 99.632 | 98.801 | 741 |
| Euro | 1,250 | 1,250 | 4.000% | 1/11/2019 | 4/11/2024 | 99.436 | 98.697 | 1,234 |
| USD | 1,500 | 1,444 | 5.303% | 5/30/2014 | 5/30/2024 | 100 | 96.242 | 1,390 |
| Euro | 1,000 | 1,000 | 2.750% | 4/15/2019 | 4/15/2025 | 99.320 | 93.090 | 931 |
| Euro | 1,000 | 1,000 | 3.000% | 9/30/2016 | 9/30/2025 | 99.806 | 93.243 | 933 |
| Euro | 750 | 750 | 2.875% | 6/28/2018 | 1/28/2026 | 100 | 90.239 | 677 |
| Euro | 1,000 | 1,000 | 3.625% | 5/25/2016 | 5/25/2026 | 100 | 93.130 | 931 |
| Euro | 1,250 | 1,250 | 2.375% | 10/12/2017 | 10/12/2027 | 99.185 | 82.216 | 1,028 |
| Euro | 1,000 | 1,000 | 1.625% | 1/18/2021 | 1/18/2029 | 99.074 | 72.985 | 730 |
| Euro | 670 | 670 | 5.250% | 3/17/2005 | 3/17/1955 | 99.667 | 80.643 | 540 |
| **Subtotal** | | **12,551** | | | | | | **11,570** |
| **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 | 104.942 | 1,065 |
| **Subtotal** | | **1,015** | | | | | | **1,065** |
| **Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.** | | | | | | | | |
| USD | 1,000 | 962.7 | 6.375% | 10/29/2003 | 11/15/2033 | 99.558 | 77.715 | 748 |
| USD | 1,000 | 962.7 | 6.000% | 10/06/2004 | 9/30/2034 | 99.081 | 76.550 | 737 |
| USD | 1,000 | 962.7 | 7.200% | 7/18/2006 | 7/18/2036 | 99.440 | 76.218 | 734 |
| USD | 1,000 | 962.7 | 7.721% | 6/04/2008 | 6/04/2038 | 100 | 77.589 | 747 |
| **Subtotal** | | **3,851** | | | | | | |
| **Bonds issued by TIM S.A.** | | | | | | | | |
| BRL | 1,600 | 294 | IPCA+4.1682% | 6/15/2021 | 6/15/2028 | 100 | 100 | 294 |
| **Subtotal** | | **294** | | | | | | **294** |
| **Total** | | **17,711** | | | | | | **15,895** |

(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 4,516 million euros (4,394 million euros at December 31, 2021). Short-term amounts due to banks totaled 1,678 million euros (2,099 million euros at December 31, 2021) and included 767 million euros of the current portion of medium/long-term amounts due to banks.

The other medium/long-term **financial payables** totaled 332 million euros (306 million euros at December 31, 2021), 139 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 142 million euros (236 million euros at December 31, 2021) and included 17 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **financial liabilities for lease contracts** amounted to 4,707 million euros (4,064 million euros at December 31, 2021), whilst short-term payables totaled 782 million euros (651 million euros at December 31, 2021) and included 779 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the financial lease liabilities recognized in the first half of 2022 and 2021, the following is noted:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Principal reimbursements | 341 | 289 |
| Cash out interest portion | 156 | 130 |
| **Total** | **497** | **419** |

**Hedging derivatives** relating to items classified as non-current financial liabilities amount to 461 million euros (1,337 million euros at December 31, 2021). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 202 million euros (62 million euros at December 31, 2021).

**Non-hedging derivatives** classified as non-current financial liabilities came to 39 million euros (17 million euros at December 31, 2021), while non-hedging derivatives classified under current financial liabilities amounted to 63 million euros (36 million euros at December 31, 2021). These also include the measurement of derivatives which, although put into place for hedging purposes, do not meet the formal requirements to be considered as such under IFRS.

## Covenants and negative pledges in place at June 30, 2022

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM 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 the bonds were placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, it has extended the loan signed in 2019 for an amount of 120 million euros. Therefore, at June 30, 2022 the nominal total of outstanding loans with the EIB was 1,200 million euros, all drawn down and not backed by bank guarantee.

The three EIB loans signed on December 14, 2015, November 25, 2019 and May 19, 2021 contain the following covenants:

- in the event the company becomes the target of a merger, demerger or conferral of a business segment outside the Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan 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 Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% (thirty-five percent) of the Group's total financial debt;
- “Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;
- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan agreement or choose an alternative solution.

The loan agreements of TIM S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.

The loan agreements contain the usual other types of covenants, including the commitment not to pledge the Company's assets as collateral for loans (negative pledge) and the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content can be found in the export credit loan agreement.

In the Loan Agreements and the Bonds, TIM is required to provide notification of change of control. Identification of the occurrence of a change of control and the applicable consequences – including, at the discretion of the investors, the establishment of guarantees or the early repayment of the amount paid in cash or as shares and the cancellation of the commitment in the absence of agreements to the contrary – are specifically covered in the individual agreements.

In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or transfers of business, involving entities outside the Group. Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.

The documentation of the loans granted to certain companies of the TIM Group generally contain obligations to comply with certain financial ratios (e.g. capitalization ratios, debt servicing ratios and debt ratios), as well as the usual other covenants, under penalty of a request for the early repayment of the loan.

Finally, as at June 30, 2022, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

## Revolving Credit Facility

The following table shows committed credit lines available at June 30, 2022:

| (billion euros) | 6/30/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| | Agreed | Drawn down | Agreed | Drawn down |
| Sustainability-linked RCF - maturing May 2026 | 4.0 | — | 4.0 | — |
| **Total** | **4.0** | **—** | **4.0** | **—** |

At June 30, 2022, TIM had bilateral Term Loans for 950 million euros with various banking counterparties.

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.

## TIM's rating at June 30, 2022

At June 30, 2022, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

| | Rating | Outlook |
|---|---|---|
| STANDARD & POOR'S | BB- | Negative |
| MOODY'S | Ba3 | Negative |
| FITCH RATINGS | BB | Negative |

On July 22, 2022, the ratings agency Moody's changed its opinion on TIM to B1 with negative outlook.

# NOTE 16
# NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at June 30, 2022 and December 31, 2021, determined in accordance with the provisions of the "*Guidelines on disclosure requirements under the Prospectus Regulation*" issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.
This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| Liquid assets with banks, financial institutions and post offices | (a) | 2,179 | 6,092 |
| Other cash and cash equivalents | (b) | 212 | 812 |
| Securities other than investments | (c) | 1,532 | 2,249 |
| **Liquidity** | **(d=a+b+c)** | **3,923** | **9,153** |
| Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt) | (e) | 1,042 | 1,538 |
| Current portion of non-current financial debt | (f) | 3,379 | 4,937 |
| **Current financial debt** | **(g=e+f)** | **4,421** | **6,475** |
| **Net current financial debt** | **(h=g-d)** | **498** | **(2,678)** |
| Non-current financial debt (excluding the current part and debt instruments) | (i) | 8,146 | 8,083 |
| Debt instruments | (j) | 16,414 | 17,383 |
| Trade payables and other non-current debt (**) | (k) | 158 | 81 |
| **Non-current financial debt** | **(l=i+j+k)** | **24,718** | **25,547** |
| **Total net financial debt as per ESMA guidelines 32-382-1138** | **(m=h+l)** | **25,216** | **22,869** |
| Trade payables and other non-current debt (**) | | (158) | (81) |
| Non-current financial receivables arising from lease contracts | | (50) | (45) |
| Current financial receivables arising from lease contracts | | (54) | (56) |
| Financial receivables and other current financial assets | | (222) | (21) |
| Other financial receivables and other non-current financial assets | | (52) | (250) |
| Financial assets/liabilities relating to discontinued operations/non-current assets held for sale | | — | — |
| **Subtotal** | **(n)** | **(536)** | **(453)** |
| **Net financial debt carrying amount (*)** | **(p=m+n)** | **24,680** | **22,416** |
| Reversal of fair value measurement of derivatives and related financial liabilities/assets | (q) | (26) | (229) |
| **Adjusted net financial debt** | **(r=p+q)** | **24,654** | **22,187** |

(*) As regards the effects of related-party transactions on net financial debt, reference should be made to the specific table included in the Note "Related-party transactions".

(**) Mainly include the payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses (69 million euros), also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

## Additional cash flow information required by IAS 7

| (million euros) | | 12/31/2021 | Cash movements: Receipts and/or issues | Cash movements: Payments and/or reimbursements | Non-cash movements: Exchange differences | Non-cash movements: Fair value changes | Non-cash movements: Other changes and reclassifications | 6/30/2022 |
|---|---|---|---|---|---|---|---|---|
| **Financial payables (medium/long-term):** | | | | | | | | |
| Bonds | | 18,897 | | (1,098) | 473 | (25) | (150) | 18,097 |
| Convertible bonds | | 1,998 | | (2,000) | | | 2 | — |
| Amounts due to banks | | 5,180 | 224 | (196) | 60 | | 15 | 5,283 |
| Other financial payables | | 321 | 3 | | 16 | | 9 | 349 |
| | **(a)** | **26,396** | **227** | **(3,294)** | **549** | **(25)** | **(124)** | **23,729** |
| *of which short-term* | | *4,313* | | | | | | *2,467* |
| **Medium/long-term finance lease liabilities:** | | **4,712** | **203** | **(341)** | **218** | | **694** | **5,486** |
| | **(b)** | **4,712** | **203** | **(341)** | **218** | **—** | **694** | **5,486** |
| *of which short-term* | | *648* | | | | | | *779* |
| **Other medium/long-term financial liabilities:** | | | | | | | | |
| Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature | | 1,399 | | | (38) | (706) | 8 | 663 |
| Non-hedging derivative liabilities | | 52 | | | (24) | 35 | (4) | 99 |
| Other liabilities | | — | | | | | | — |
| | **(c)** | **1,451** | **—** | **—** | **(62)** | **(671)** | **4** | **762** |
| *of which short-term* | | *97* | | | | | | *262* |
| **Short-term financial payables:** | | | | | | | | |
| Amounts due to banks | | 1,313 | | | | | (402) | 911 |
| Other financial payables | | 225 | | | 8 | (6) | (96) | 131 |
| | **(d)** | **1,538** | **—** | **—** | **8** | **(6)** | **(498)** | **1,042** |
| **Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:** | | — | | | | | | — |
| | **(e)** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total Financial liabilities (Gross financial debt)** | | | | | | | | |
| | **(f=a+b+c+d+e)** | **34,097** | **430** | **(3,635)** | **713** | **(702)** | **76** | **31,019** |
| Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature | **(g)** | 2,015 | | | 380 | (513) | (6) | 1,876 |
| Non-hedging derivative receivables | **(h)** | 141 | | | 1 | 14 | 6 | 162 |
| **Total** | **(i=f-g-h)** | **31,941** | **430** | **(3,635)** | **332** | **(203)** | **76** | **28,981** |

The value of the paid and collected interest expense reported in the Report on Operations takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Interest expense paid | (934) | (863) |
| Interest income received | 284 | 229 |
| **Net total** | **(650)** | **(634)** |

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 2022 | 1st Half 2021 |
|---|---|---|
| Interest expense paid | (740) | (686) |
| Interest income received | 90 | 52 |
| **Net total** | **(650)** | **(634)** |

# NOTE 17
# DERIVATIVES

For hedge accounting we continued to apply the rules established by IAS 39.

Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risks, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.

Derivative financial instruments existing at June 30, 2022 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.

The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

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 6/30/2022** | **Notional amount at 12/31/2021** | **Mark to Market Spot* (Clean Price) at 6/30/2022** | **Spot Mark-to-Market* (Clean Price) at 12/31/2021** |
|---|---|---|---|---|---|
| Interest rate swaps | Interest rate risk | 300 | 300 | — | 3 |
| Cross Currency and Interest Rate Swaps (CCIRS) | Interest rate risk and currency exchange rate risk | — | — | — | — |
| **Total Fair Value Hedge Derivatives** | | **300** | **300** | **—** | **3** |
| Interest rate swaps | Interest rate risk | 5,085 | 4,855 | 335 | 375 |
| Cross Currency and Interest Rate Swaps (CCIRS) | Interest rate risk and currency exchange rate risk | 5,183 | 5,195 | 825 | 173 |
| **Total Cash Flow Hedge Derivatives** | | **10,268** | **10,050** | **1,160** | **548** |
| **Total Non-Hedge Accounting Derivatives** | | **2,666** | **2,702** | **31** | **60** |
| **Total TIM Group's Derivatives** | | **13,234** | **13,052** | **1,191** | **611** |

* The Spot Mark-to-Market above represents the market valuation of the derivative, net of the accrued portion of the flow in progress.

# NOTE 18

# 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, 2022.

**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 6/30/2022

| (million euros) | | IFRS 9 categories | Notes | Carrying amount in financial statements at 6/30/2022 | Levels of hierarchy Level 1 (*) | Level 2 (*) | Level 3 (*) |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| **Other investments** | | FVTOCI | (9) | **128** | **—** | **83** | **45** |
| **Securities, financial receivables and other non-current financial assets** | | | | | | | |
| *of which securities* | | FVTOCI | (10) | | | | |
| *of which hedging derivatives* | | HD | (10) | *1,795* | | *1,795* | |
| *of which non-hedging derivatives* | | FVTPL | (10) | *114* | | *114* | |
| | **(a)** | | | **2,037** | **—** | **1,992** | **45** |
| **Current assets** | | | | | | | |
| **Titles** | | | | | | | |
| *Measured at fair value through other comprehensive income (FVTOCI)* | | FVTOCI | (10) | *1,319* | *1,319* | | |
| *Measured at fair value through profit or loss (FVTPL)* | | FVTPL | (10) | *213* | *213* | | |
| **Financial receivables and other current financial assets** | | | | | | | |
| *of which hedging derivatives* | | HD | (10) | *81* | | *81* | |
| *of which non-hedging derivatives* | | FVTPL | (10) | *48* | | *48* | |
| | **(b)** | | | **1,661** | **1,532** | **129** | — |
| **Total** | **(a+b)** | | | **3,698** | **1,532** | **2,121** | **45** |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| *of which hedging derivatives* | | HD | (16) | *461* | | *461* | |
| *of which non-hedging derivatives* | | FVTPL | (16) | *39* | | *24* | 15 |
| | **(c)** | | | **500** | | **485** | **15** |
| **Current liabilities** | | | | | | | |
| *of which hedging derivatives* | | HD | (16) | *202* | | *202* | |
| *of which non-hedging derivatives* | | FVTPL | (16) | *63* | | *63* | |
| | **(d)** | | | **265** | | **265** | |
| **Total** | **(c+d)** | | | **765** | | **750** | **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 2022 there were no transfers between different hierarchy levels of financial assets and liabilities measured at fair value.

# NOTE 19
# EMPLOYEE BENEFITS

This item rose by 187 million euros compared to December 31, 2021. The figure breaks down as follows:

| (million euros) | | 12/31/2021 | Increases/ Present value | Decrease | Exchange differences and other changes | 6/30/2022 |
|---|---|---|---|---|---|---|
| **Provision for employee severance** | **(a)** | **678** | **(55)** | **(5)** | | **618** |
| Provision for pension and other plans | | 21 | 1 | (1) | | 21 |
| Provision for termination benefit incentives and corporate restructuring | | — | 247 | | | 247 |
| **Total other employee benefits** | **(b)** | **21** | **248** | **(1)** | **—** | **268** |
| **Total** | **(a+b)** | **699** | **193** | **(6)** | **—** | **886** |
| *of which:* | | | | | | |
| non-current portion | | 699 | | | | 812 |
| current portion (*) | | — | | | | 74 |

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased by 60 million euros compared with Friday, December 31, 2021. The decrease of 5 million euros refers to uses in the period for employees who terminated employment or for advances.

The change of -55 million euros in the column "Increases/Present value" consists of the following:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| (Positive)/negative effect of curtailment | — | — |
| Current service cost (*) | — | — |
| Finance expenses | 3 | 2 |
| Net actuarial (gains) losses for the period | (58) | (22) |
| **Total** | **(55)** | **(20)** |
| **Effective return on plan assets** | there are no assets servicing the plan | |

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under "Employee benefits expenses" under "Social security expenses". The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

Net actuarial gains recorded at June 30, 2022 of 58 million euros (net actuarial gains for 22 million euros during the first half of 2021) are essentially linked to both the change in discount rate, which went from 0.98% in December 2021 to 2.74% in June 2022 and to the change in the inflation rate, which went from 1.75% in December 2021 to 2.10% in June 2022.

The **Provision for pension and other plans** amounted to 21 million euros at June 30, 2022 (21 million euros at December 31, 2021) and mainly represented pension plans in place at foreign companies of the Group.

**Provisions for termination benefit incentives and corporate restructuring** increase by 247 million euros during the first half of 2022, 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. on June 7, 2022 and by Telecom Italia Sparkle on July 1, 2022.

# NOTE 20
# PROVISIONS

This item fell by 305 million euros compared to December 31, 2021. The figure breaks down as follows:

| (million euros) | 12/31/2021 | Increase | Taken to income | Used directly | Exchange differences and other changes | 6/30/2022 |
|---|---|---|---|---|---|---|
| Provision for taxation and tax risks | **73** | 3 | — | (1) | 16 | **91** |
| Provision for restoration costs | **281** | 7 | — | (7) | 47 | **328** |
| Provision for legal disputes | **441** | 39 | — | (43) | 14 | **451** |
| Provision for commercial risks | **677** | 11 | (9) | (382) | 2 | **299** |
| Provision for risks and charges on investments and corporate-related transactions | **12** | — | — | (1) | — | **11** |
| Other provisions | **4** | 1 | — | (2) | — | **3** |
| **Total** | **1,488** | **61** | **(9)** | **(436)** | **79** | **1,183** |
| of which: | | | | | | |
| non-current portion | **926** | | | | | **1,007** |
| current portion | **562** | | | | | **176** |

The **provision for taxation and tax risks** increased by 18 million euros compared to December 31, 2021, mainly due to the exchange rate effect of the period (11 million euros). The balance at June 30, 2022 reflects provisions and uses made for 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 (147 million euros), the company FiberCop (127 million euros) and the Brazil Business Unit (52 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at June 30, 2022 included 342 million euros for the Domestic Business Unit and 109 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 2022, it reduces by 378 million euros mainly due to use (for 329 million euros) of a Contractual Risk Provision for Onerous Contracts (IAS 37), recorded in the 2021 financial statements relating to ongoing relations with some counterparties for the offer of multimedia content. The amount of 329 million euros is therefore the negative margin for the period, for which the provision was used, making it possible to record no economic margins. As far as the portion relating to the football contract with DAZN is concerned, this amount includes both the operating performance of the business and the component linked to the prices that TIM is contractually obliged to pay to DAZN, which is recorded at the end of each football season (June 30, each year).

# NOTE 21

# MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

These decreased by 91 million euros compared to December 31, 2021. The figure breaks down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Miscellaneous payables (non-current)** | | | |
| Payables to social security agencies | | 291 | 452 |
| Income tax payables | | 231 | 231 |
| Other payables | | 88 | 7 |
| | (a) | **610** | **690** |
| **Other non-current liabilities** | | | |
| Deferred revenues from customer contracts (Contract liabilities) | | 87 | 88 |
| Other deferred revenue and income | | 366 | 368 |
| Capital grants | | 259 | 267 |
| | (b) | **712** | **723** |
| **Total** | (a+b) | **1,322** | **1,413** |

**Miscellaneous non-current payables** include:

- **payables to social security agencies** amounting to 291 million euros, mainly relating to the debt position with INPS regarding the application of the agreements signed with the trade unions relating to the application of Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012;
- **other payables** amounting to 88 million euros.

**Income tax payables** mainly include the payable of the Parent Company TIM S.p.A. for the third installment of substitute tax in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8bis.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 87 million euros (88 million euros at December 31, 2021) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at June 30, 2022 will be reversed to the income statement generally by 2024. In particular, the item includes:
  - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (43 million euros);
  - TIM S.p.A. deferred revenues for network access subscription charges (23 million euros);
  - deferred revenues for outsourcing charges (14 million euros);
  - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (4 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations;
- **Other deferred revenue and income** totaling 366 million euros; the item consisted of the non-current portion (approx. 120 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit;this item also includes deferred revenues related to agreements for the sale of the transmission capacity (lease operating income).
- **Capital grants** of 259 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 22

# TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item decreased by 63 million euros compared to December 31, 2021. The figure breaks down as follows:

| (million euros) | | 6/30/2022 | 12/31/2021 |
|---|---|---|---|
| **Trade payables** | | | |
| Payables to suppliers | | 4,232 | 4,745 |
| Payables to other telecommunication operators | | 337 | 416 |
| | **(a)** | **4,569** | **5,161** |
| **Tax payables** | **(b)** | **648** | **168** |
| **Miscellaneous payables** | | | |
| Payables for employee compensation | | 289 | 176 |
| Payables to social security agencies | | 330 | 386 |
| Payables for TLC operating fee | | 249 | 165 |
| Dividends approved, but not yet paid to shareholders | | 26 | 36 |
| Other | | 2,098 | 1,968 |
| Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months | | 74 | — |
| Provisions for risks and charges for the current portion expected to be settled within 12 months | | 176 | 562 |
| | **(c)** | **3,242** | **3,293** |
| **Other current liabilities** | | | |
| Liabilities from customer contracts (Contract liabilities) | | 853 | 757 |
| Other deferred revenue and income | | 68 | 66 |
| Other | | 30 | 28 |
| | **(d)** | **951** | **851** |
| **Total** | **(a+b+c+d)** | **9,410** | **9,473** |

**Trade payables** at 30 June, 2022, amounting to 4,569 million euros (5,161 million euros at December 31, 2021), mainly refer to TIM S.p.A. (3,211 million euros) and to the companies of the Brazil Business Unit (751 million euros); as regards TIM S.p.A., the increase in trade payables reflects the trend in payments of bills payable.

At June 30, 2022, trade payables due beyond 12 months totaled 70 million euros (73 million euros at December 31, 2021) and are mainly represented by payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses, also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

**Tax payables** amounted to 648 million euros and mainly consisted of payables of TIM S.p.A., mostly relating to VAT (485 million) and the amount owed to the tax authorities for tax payables withheld as withholding agent (33 million euros), the amount payable for the government concession tax (4 million euros), as well as to the tax payables of the Brazil Business Unit (109 million euros).

**Miscellaneous payables** mainly include:

- the residual payable relating to the acquisition, by TIM S.p.A., of the rights to use 5G licenses (1,738 million euros);
- the current debt position towards INPS in relation to the application of the agreements signed relating to Article 4, subsections 1-7ter, of Italian Law 92 of June 28, 2012;
- the residual payable relating to the acquisition, by TIM S.A. (Brazil Business Unit), of 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., the company to which part of the business, rights and obligations of Oi Móvel S.A. - Em Recuperação Judicial acquired by the TIM Group, was transferred (140 million euros).

**Other current liabilities** amounted to 951 million euros (851 million euros at December 31, 2021). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 853 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers, generally with a maturity of up to 12 months, are shown below; therefore, the figure at June 30, 2022 will be substantially reversed by December 31, 2022.

In particular:

- **contract liabilities** amounting to 12 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 393 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 59 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **deferred revenues from customer contracts**, equal to 389 million euros essentially include:
  - Parent Company deferred revenues for rent and maintenance fees (230 million euros);
  - Parent Company deferred revenues for interconnection fees (112 million euros);
  - Parent Company deferred revenues on activation and installation of new contracts with customers (4 million euros).

- **Other deferred revenue and income** amounted to 68 million euros. They mainly refer to deferred revenues from transmission capacity transfer contracts and deferred revenues from real estate leases (lease operating income).
- **Other** (30 million euros, 28 million euros at December 31, 2021): this refers to payables for advances on work in progress on networks.

# NOTE 23

# 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, 2022, as well as those that came to an end during the period.

The TIM Group has posted liabilities totaling 273 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 2022 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 the proceedings with the Antitrust Authority, please note that based on Article 15, paragraph 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

## a) Significant disputes and pending legal actions

No significant events occurred for the following disputes and legal actions compared to what was published in the 2021 Annual Financial Report:

- Italian Competition Authority (AGCM) Case A428;
- Colt Technology Services, COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), Teleunit (connected with the Antitrust Case A428);
- Eutelia and Voiceplus;
- Poste;
- Elinet S.p.A. bankruptcy;
- Brazil – Opportunity Arbitration;

### International tax and regulatory disputes

At June 30, 2022, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 17.2 billion reais (16.3 billion reais at December 31, 2021). 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 (3.1 billion reais at December 31, 2021).

### State taxes

Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular, now incorporated into TIM S.A., on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance;
- challenges of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States;
- challenges of ICMS credits deriving from the “special credit” recognized by the company to its prepaid customers, against subsequent top-ups.

Overall, the risk for these cases, considered to be possible, amounts to 9.2 billion reais (8.8 billion reais at December 31, 2021).

### Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.4 billion reais (around 1.2 billion reais at December 31, 2021).

### FUST and FUNTTEL

The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.

Overall, the risk for these cases, considered to be possible, amounts to 3.4 billion reais (3.2 billion reais at December 31, 2021).

## Golden Power Case

In August 2017 the Prime Minister's office brought proceedings against TIM (as well as Vivendi) in order to verify the fact that TIM has an obligation to notify, pursuant to the “Golden Power” law, Vivendi’s acquisition of corporate control of TIM and the strategic assets it holds. In September 2017, the proceedings in question concluded by affirming that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders’ Meeting that renewed TIM’s corporate boards).

As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of the financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR)R: (i) accepted TIM's request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the "Golden Power" law). This surety was renewed in May 2021.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM's appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible. The hearing in chambers has been scheduled for October 11, 2022.

## Eutelia and Clouditalia Telecomunicazioni

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009-2012, following the technical boycott and margin squeeze conduct, subject of the AGCM A428 procedure. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings. On April 1, 2022, AGCM (the Italian Competition Authority) deposited the opinion envisaged by Art. 14, third subsection of Italian Legislative Decree 3/2017, whereby it: (i) proposed certain benchmarks for use to define the counterfactual scenario on which basis to quantify the damages allegedly suffered by Eutelia and Clouditalia; (ii) provided some additional indication and criteria to estimate the various damage items demanded by Eutelia and Clouditalia.

## 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, AGCM (the Italian Competition Authority) hypothesised that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) pre-emptively securing customers on the retail market for ultrabroadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

On February 14, 2018, AGCM (the Italian Competition Authority) resolved to extend the scope of the case to investigate further behavior concerning TIM's wholesale pricing strategy on the market for wholesale access to broadband and ultrabroadband, and the use of the confidential information of customers of the alternative operators.

On July 5, 2018 TIM filed proposed undertakings which, if accepted by the Authority, would close the investigation without any offense being established or sanction being administered. The undertakings were considered as admissible by the Authority, that market tested them in August and September.

On October 30, 2018, TIM replied to observations made by third parties and modified its proposed undertakings. With its decision notified on December 4, 2018, AGCM (the Italian Competition Authority) once and for all rejected the proposed series of undertakings as it considered them unsuitable in light of the objections raised.

On March 4, 2019, TIM requested AGCM (the Italian Competition Authority) for an extension of the deadline for closing the proceedings (initially set for May 31, 2019).

On April 10, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until September 30, 2019. On May 17, 2019, AGCM (the Italian Competition Authority) notified TIM of the results of the investigation (CRI). In the CRI, AGCM (the Italian Competition Authority) essentially confirmed the case for the prosecution outlined in the start-up and extension of the proceedings orders.

On June 12, 2019 AGCM (the Italian Competition Authority) extended the deadline for deposit of TIM's final defense to September 20, 2019 and set the final hearing for September 25, 2019.

On September 18, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until February 28, 2020.

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in ultrabroadband network infrastructure.

The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros. TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment given on February 28, 2022, the Lazio Regional Administrative Court rejected TIM's petition; TIM now intends to lodge an appeal with the Council of State by the legal deadline.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision. The hearing before the Lazio Regional Administrative Court was held on November 3, 2021. By judgment 1963/2022, TIM's appeal was rejected; TIM has appealed against the decision of the regional administrative court. The related hearing for discussion has not yet been scheduled.

In May 2021, the Company paid the fine.

## Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF, 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 has quantified the damages allegedly suffered as 228 million euros, plus interest. Terms are pending for the submission of the third preliminary brief. The next hearing for the admission of investigations has been scheduled for October 19, 2022.

## Irideos

In January 2022, Irideos summonsed TIM to the Court of Rome, making a claim for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded proc. A514 ("follow-on claim"). The compensation claim comes to 23,204,079.87 euros for damages caused by the anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the market for services of wholesale access to the broadband and ultrabroadband fixed network (the "wholesale market") and on the market for retail telecommunications services on the broadband and ultrabroadband fixed network (the "retail market"). TIM filed an appearance, contesting the opposing party's arguments.

## Antitrust Case I799

At its meeting on February 1, 2017, AGCM (the Italian Competition Authority) initiated an investigation for possible breach of Article 101 of the TFEU (prohibition of agreements that restrict competition) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at setting up a cooperative joint venture called Flash Fiber S.r.l.. TIM, in agreement with Fastweb, submitted to AGCM (the Italian Competition Authority) some amendments to the agreements signed, in the form of proposed undertakings, aimed at closing the investigation without any breach being ascertained and, therefore, without any fine.

On March 28, 2018, AGCM (the Italian Competition Authority) resolved to approve the undertakings, making them binding on the Parties, and closed the case without imposing any fine.

On January 30, 2019, TIM sent the planned annual report on the provided coverage to AGCM (the Italian Competition Authority), supplemented by a subsequent communication dated March 29, 2019. TIM transmitted further details to AGCM (the Italian Competition Authority) in July and AGCM acknowledged it on October 15, 2019. On January 31, 2020 TIM sent AGCM (the Italian Competition Authority) the third report on the implementation of the undertakings given. Finally, on January 29, 2021 TIM sent AGCM (the Italian Competition Authority) the fourth and final report on the implementation of the undertakings given.

On June 11, 2018 Open Fiber S.p.A. and Wind Tre S.p.A. filed separate appeals to the Lazio Regional Administrative Court (TAR) against the order closing case I799 with the acceptance of the undertakings. They allege that this order has a series of procedural and substantial defects.

Open Fiber S.p.A. also asked for the precautionary suspension of the order. In a ruling of March 2020, the Regional Administrative Court rejected in full the appeal by Open Fiber. A hearing on the merits has not yet been scheduled for Wind Tre's appeal.

The hearing for discussion of the merits of Wind Tre's appeal has been scheduled for October 12, 2022.

## 28-day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. In February 2021, TIM deposited the written observations on the requests for prejudicial judgment with the EUCJ. At the request of the CJEU, the Council of State, in an order published on November 23, 2021, confirmed the referral to the Court of Justice on the preliminary questions raised; the proceedings before the Council of State therefore remain suspended pending the CJEU's decision.

With its Resolution 499/17/CONS, having confirmed the breach of Resolution 121/17/CONS, AGCom fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles.

In March 2018 with resolution no. 112/18/CONS AGCom (i) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle, (ii) cautioned TIM, with regard to fixed-line voice services only, against postponing the starting date of invoices issued after the return to monthly invoicing by the same number of days as those presumably deducted starting from June 23, 2017 with the four-weekly invoicing cycle.

Under Presidential Decree 9/18/PRES, AGCom amended the provisions of Decision 112/18/CONS requiring the deferment of billing once the billing cycle was restored to monthly intervals, or multiples thereof, while also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main consumer protection associations.

In July 2018, AGCom issued resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators had to return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. TIM has appealed all of the above resolutions.

With the judgment published in November 2018, the TAR canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of restitutio in integrum to the fixed-line customers by December 31, 2018. TIM filed its preventive appeal before the Council of State to suspend the execution of said decision and, with its ruling of December 20, 2018, the Council of State, in upholding TIM's appeal, suspended the effectiveness of the aforesaid decision for the reversal order only, until May 21, 2019 while awaiting publication of the grounds for the judgment.

The date of the hearing to discuss the introductory appeal and additional grounds submitted in the meantime by TIM is still to be set. On July 12, 2019 the ruling mechanisms with which the Council of State rejected the similar appeals made by Vodafone, Wind Tre and Fastweb were published and in February 2020 the judgments containing the grounds were published.

In September 2019, TIM also challenged resolution 221/19/CONS, before the Regional Administrative Court (TAR), with which the sanction pursuant to Resolution 499/17/CONS, canceled by the Regional Administrative Court of Lazio, was recalculated to the amount of 580,000.00 euros, with the maximum fine provided for by Art. 98, subsection 16 of the CCE in force at the time of the events applied.

In August 2019, AGCom initiated new proceedings (CONT 12/19/DTC) for failure to comply with the order to refund the days eroded by billing every 28 days for fixed network and convergent customers, according to the procedures established with resolutions nos. 112/18/CONS and 269/18/CONS. On conclusion of these proceedings, by means of Resolution 75/20/CONS, the Authority found that TIM did not comply with the above resolutions, imposing a fine of 3 million euros. The measure was challenged by TIM before the TAR in July 2020.

Moreover, since June 2019, TIM has offered its fixed network customers, active prior to March 31, 2018 and subject to billing every 28 days, the possibility of accepting a compensatory solution, an alternative to refunding the eroded days pursuant to AGCom resolution no. 269/18/CONS and from September 2019 it has been accepting requests for reimbursement of eroded days. In both cases, TIM informed customers with several messages in the bill, on the web in the main newspapers. The initiatives just described were communicated to AGCom as part of the aforementioned penalty proceedings.

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on 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 consumer customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver. Following the hearing of July 5, 2022, the Court has assigned a deadline for the conclusions and the replies.

## Antitrust Case I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFUE.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure.

On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM (the Italian Competition Authority) confirmed the existence of the agreement between Telecom, Vodafone, Fastweb, WindTre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. In April 2020, TIM also challenged the sanction order.

In a ruling published on July 12, 2021, the Lazio Regional Administrative Court upheld the petition and the grounds added and submitted by TIM, canceling the measures taken by AGCM (the Italian Competition Authority), including that relating to the existence of the agreement and application of the sanction.

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court; the hearing for discussion of the petition has been scheduled for November 2022.

## Antitrust Case I850

By decision given on December 15, 2020, the Italian Competition Authority (AGCM) started an investigation in regard to the company Telecom Italia S.p.A., Fastweb S.p.A., Teemo Bidco S.r.l., FiberCop S.p.A., Tiscali Italia S.p.A. and KKR & Co. Inc., to ascertain the existence of any breaches of article 101 of the TFEU.

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority) intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country’s fixed telecommunications infrastructures.

On August 6, 2021, TIM submitted a proposal of undertakings to AGCM (the Italian Competition Authority) in order to resolve the competition concerns subject of the investigation and close the proceedings without any sanction being applied.

On September 7, 2021, AGCM (the Italian Competition Authority) judged these 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.

By petition notified in April 2022. Open Fiber has challenged the above AGCM provision no. 3002, whereby the proceedings were closed, before the regional administrative court of Lazio; the petitioner believes that the commitments, made mandatory by the closure, are not sufficient to remove the anticompetitive aspects identified at the start of proceedings.

Upon completion of the interim hearing of last June 1, the regional administrative court rejected the request and scheduled the merits hearing for January 25, 2023.

## 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.

## Antitrust Case PS 10888 “TIM Passepartout”

On June 15, 2021, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice concerning the lack of transparency of the information provided by the TIM Passepartout payment management platform and alleged activations of services not requested. Although firmly convinced of the lawful nature of its conduct, on July 29, 2021, TIM chose to submit undertakings with corrective measures. The undertakings submitted consist of improving information aspects noted as falling short of expectations of the TIM Passepartout platform (only operative for customer base offers) and in implementing a communication campaign aimed at making contact with customers not acknowledging charges for services not requested, to see if conditions are met for refund. The Authority has accepted the commitments made by TIM hence the proceedings have now concluded without any assessment of the alleged unfair conduct and application of the sanction.

## Antitrust Proceedings PS 12231 “TIM fixed offers” (Premium, Executive, Magnifica)

On December 22, 2021, AGCM (the Italian Competition Authority) started proceedings against TIM for unfair commercial practices concerning the alleged failure to provide information on the consumption of the voice component of the Premium and Executive fixed offers and technical limits correlated with the method being tried out of the Magnifica fixed offer. Although convinced that its conduct was correct, on February 23, 2022, TIM submitted undertakings that overcame the technical limits disputed for the Magnifica offer on trial, improved transparency of information on the consumption components of the Premium and Executive offers and defined a communication campaign focused on customers not acknowledging charges for consumption in the voice component, so as to assess whether or not conditions are met for refund. The Authority has considered the commitments made to be sufficient, except for the communication campaign for the repayment that resulted in the refusal. The proceedings are expected to end by September 16, 2022.

## Universal Service

In a decision published in July 2015, the Council of State rejected the appeal lodged by AGCom and TIM against the judgment of the Lazio Administrative Court (TAR) on the financing of the universal service obligations for the period 1999–2003. With this judgment the judge had granted the appeals by Vodafone, annulling AGCom decisions 106, 107, 109/11/CONS on the renewal of the related proceedings, which included Vodafone among the subjects required to contribute, for a sum of approximately 38 million euros. Essentially, the judgment confirms that the Authority has not demonstrated the particular degree of "replaceability" between fixed and mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

TIM has filed an application with AGCom to renew the proceedings, and an appeal against the judgment of the Court of Appeal to the Court of Cassation (which subsequently ruled that the appeal was inadmissible).

In April 2016 Vodafone appealed against the Ministry of Economic Development (MISE) and TIM to the Council of State, for non-compliance with the judgment of the Council of State. This appeal referred to AGCom decision 109/11/CONS (2003 yearly payment, on the basis of which Vodafone had paid the sum of approximately 9 million euros as contribution, restitution of which was requested).

In its judgment of November 2016, the Council of State rejected the appeal, referring to the Regional Administrative Court (TAR) the decision on the methods of compliance. In February 2017, Vodafone presented the Lazio Regional Administrative Court with four new appeals against the Ministry of Economic Development and TIM regarding observance of the ruling, upheld on appeal, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

With a judgment issued in June 2018, the TAR rejected all of Vodafone's appeals for observance, and, as requested by TIM, expressly affirmed that AGCom must renew the proceedings, particularly with regard to the determination of the degree of replaceability between fixed and mobile telephony. Vodafone challenged the four judgments before the Council of State, which, with a decision of October 2019, upheld Vodafone's appeal and confirmed the restitutory obligation of the sums in question applicable to TIM.

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCOM for the analysis of iniquity second facie.  Fastweb, Vodafone, Wind 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 not yet been scheduled.

## 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.

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.

## Iliad

By summons served during the first quarter of 2020, Iliad Italia S.p.A. sued TIM before the Court of Milan for alleged anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering its entry to and consolidation in the mobile phone market in Italy, seeking damages of at least 71.4 million euros.

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. The hearing for closing arguments is scheduled for December 6, 2022.

### Iliad

By writ of summons notified in September 2021, Iliad Italia S.p.A. summonsed TIM before the Court of Milan for the alleged application to customers of unlawful contractual conditions in terms of time limits and economic costs for withdrawal with reference to mobile and fixed telephone offers, with a consequent petition to order TIM to compensate damages, currently quantified as 120.4 million euros. On February 1, 2022, the first hearing was held and the terms assigned for the briefs pursuant to article 183, subsection VI of the Italian Code of Civil Procedure. The hearing for discussion of the evidence has been postponed to April 5, 2023.

### T-Power

By writ of summons notified in December 2021, T-Power s.r.l., former Agent for the consumer sector, summonsed TIM before the Court of Rome to have the right acknowledged to receive payment of a total maximum amount of approximately 85 million euros by way of commission, compensation in lieu of notice and termination of employment, as well as compensation for damages. At the first hearing of April 27, 2022, the Court has granted time pursuant to Art. 183 of the Code of Civil Procedure and deferred the case to May 22, 2023 for admission of the evidence.

### 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; (iii) 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.

### Wind Tre

By writ of summons notified in July 2022, Wind Tre summonsed Tim, Inwit and Vodafone to trial before the Court of Milan, asking that it ascertain the obstructive conduct of INWIT, seeking to prevent Wind Tre from upgrading the devices of its mobile network currently located at INWIT sites on the basis of the hosting contracts currently in force *inter partes*. Such conduct would constitute breach of contract and unlawful exploitation of the dominant position in accordance with Art. 3 of the Antitrust Law as well as unfair competition by third party also perpetrated in the form of secondary boycotting by INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A.. The opposing party asks the Court to ascertain and declare INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A. jointly liable to compensate the damages suffered by Wind Tre as a result of such unlawful acts, to be quantified as 50 million euros.

## b) Other information

### Mobile telephony - criminal proceedings

In March 2012 TIM was served notice of the conclusion of the preliminary inquiries, which showed that the Company was being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree n. 231/2001, for the offenses of handling stolen goods and counterfeiting committed, according to the alleged allegations, by fourteen employees of the so-called "ethnic channel", with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from TIM.

The Company, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defense, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against the Company be brought against the other defendants. In December 2012, the Public Prosecutor's Office filed a request for 89 defendants and the Company itself to be committed for trial.

During the preliminary hearing, the Company was admitted as civil party to the trial and, in November 2013, the conclusions in the interest of the civil party were filed, reaffirming TIM's total lack of involvement in the offenses claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of

900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses (quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organisational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

The Public Prosecutor appealed the acquittal and appealed to the Court of Cassation "per saltum". In January 2019, the Italian Supreme Court of Cassation agreed to the appeal and therefore ordered that the documents of the proceedings be sent to the Milan Court of Appeal.

The proceedings were assigned to Chambers IV of the Milan Court of Appeal and will start in May 2022.

## 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 2/22/2022, having acknowledged that one of its members had chosen to abstain, the Board re-submitted the case, arranging for the deeds to be sent onto the President of the Court of Appeal. On March 4, 2022, the case was reassigned to another judge. By judgment of March 31, 2022, the Board scheduled the hearing for December 1, 2022 for closing arguments.

### 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 connected to the number of active accounts.

Despite the success of the project in 2021, arbitration proceedings have been started by the parties.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce ("CCBC" and "Arbitration proceedings", respectively), by TIM against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. (together, the "Defendants") 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.

## c) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 42 million euros.

The guarantees provided by third parties to Group companies, amounting to 5,567 million euros, related to guarantees provided by banks and other financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the TIM Group had six bank guarantees issued in favor of the Ministry of Economic Development for a total of 1,908 million euros for the deferment of the payment of the amount due for the acquisition of user rights to frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, which will be reserved for 5G mobile telecommunications services in Italy. At June 30, 2022, the remaining guarantee was 1,738 million euros;
- the insurance guarantees, which totaled 1,505 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,373 million euros, of which 1,319 million euros for TIM S.p.A. and 54 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 733 million euros.

## d) Assets guaranteeing financial liabilities

The special rate loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM S.A. to a total value of 119 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the income which transits on the bank accounts of the company.

# NOTE 24
# REVENUES

This item increased by 14 million euros compared to the first half of 2021. The figure breaks down as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Equipment sales | 527 | 697 |
| Services | 7,030 | 6,846 |
| **Total** | **7,557** | **7,543** |

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 575 million euros (583 million euros in the first half of 2021), 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 25
# FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 686 million euros (expense of 582 million euros in the first half of 2021) and comprises:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Finance income | 773 | 546 |
| Finance expenses | (1,459) | (1,128) |
| **Net finance income/(expenses)** | **(686)** | **(582)** |

The items break down as follows:

| (million euros) | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Interest expenses and miscellaneous finance expenses:** | | | |
| Interest expenses and other costs relating to bonds | | (404) | (417) |
| Interest expenses to banks | | (35) | (27) |
| Interest expenses to others | | (19) | (11) |
| Interest expenses on financial lease liabilities | | (170) | (132) |
| | | **(628)** | **(587)** |
| Commissions | | (34) | (34) |
| Miscellaneous finance expenses | | (100) | (60) |
| | | **(134)** | **(94)** |
| **Interest income and other finance income:** | | | |
| Interest income | | 65 | 22 |
| Income from financial receivables, recorded in Non-current assets | | 2 | 4 |
| Income from securities other than investments, recorded in Non-current assets | | — | — |
| Income from securities other than investments, recorded in Current assets | | 11 | 11 |
| Miscellaneous finance income | | 24 | 23 |
| | | **102** | **60** |
| **Total net finance interest/(expenses)** | **(a)** | **(660)** | **(621)** |
| | | | |
| **Other components of financial income and expense:** | | | |
| Net exchange gains and losses | | 7 | 38 |
| Net result from derivatives | | 50 | 55 |
| Net fair value adjustments to fair value hedge derivatives and underlying instruments | | 1 | (4) |
| Net fair value adjustments to non-hedging derivatives | | (84) | (50) |
| **Total other components of financial income and expense** | **(b)** | **(26)** | **39** |
| **Total net financial income (expenses)** | **(a+b)** | **(686)** | **(582)** |

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

| (million euros) | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| Foreign currency conversion gains | | 396 | 178 |
| Exchange losses | | (389) | (140) |
| **Net exchange gains and losses** | | **7** | **38** |
| | | | |
| Income from fair value hedge derivatives | | 1 | 26 |
| Charges from fair value hedge derivatives | | — | — |
| **Net result from fair value hedge derivatives** | **(a)** | **1** | **26** |
| Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component) | | 202 | 179 |
| Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component) | | (149) | (147) |
| **Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)** | **(b)** | **53** | **32** |
| Income from non-hedging derivatives | | 38 | 5 |
| Charges from non-hedging derivatives | | (42) | (8) |
| **Net result from non-hedging derivatives** | **(c)** | **(4)** | **(3)** |
| **Net result from derivatives** | **(a+b+c)** | **50** | **55** |
| | | | |
| 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 | 48 |
| Negative fair value adjustments relating to fair value hedge derivatives | | (2) | (52) |
| **Net fair value adjustments** | **(e)** | **1** | **(4)** |
| **Net fair value adjustments to fair value hedge derivatives and underlying instruments** | **(d+e)** | **1** | **(4)** |
| | | | |
| Positive fair value adjustments to non-hedging derivatives | (f) | 31 | 50 |
| Negative fair value adjustments relating to non-hedging derivatives | (g) | (115) | (100) |
| **Net fair value adjustments to non-hedging derivatives** | **(f+g)** | **(84)** | **(50)** |

# NOTE 26
# PROFIT (LOSS) FOR THE PERIOD

The profit (loss) for the period can be analyzed as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| **Profit (loss) for the period** | **(360)** | **(57)** |
| Attributable to: | | |
| **Owners of the Parent:** | | |
| Profit (loss) from continuing operations | (483) | (149) |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | — | — |
| **Profit (loss) for the period attributable to owners of the Parent** | **(483)** | **(149)** |
| **Non-controlling interests:** | | |
| Profit (loss) from continuing operations | 123 | 92 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | — | — |
| **Profit (loss) for the period attributable to Non-controlling interests** | **123** | **92** |

# NOTE 27
# EARNINGS PER SHARE

| | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| Profit (loss) for the period attributable to owners of the Parent | | (483) | (149) |
| Less: additional dividends for the savings shares (0.011 euros per share and up to capacity) | | — | — |
| | (million euros) | (483) | (149) |
| Average number of ordinary and savings shares | (millions) | 21,241 | 21,201 |
| Basic earnings per share – Ordinary shares | (euros) | (0.02) | (0.01) |
| Plus: additional dividends per savings share | | — | — |
| Basic earnings per share – Savings shares | (euros) | (0.02) | (0.01) |
| **Basic earnings per share from continuing operations** | | | |
| Profit (loss) from continuing operations attributable to Owners of the Parent | | (483) | (149) |
| Less: additional dividends for the savings shares | | — | — |
| | (million euros) | (483) | (149) |
| Average number of ordinary and savings shares | (millions) | 21,241 | 21,201 |
| Basic earnings per share from continuing operations – Ordinary shares | (euros) | (0.02) | (0.01) |
| Plus: additional dividends per savings share | | — | — |
| Basic earnings per share from continuing operations – Savings shares | (euros) | (0.02) | (0.01) |
| **Basic earnings per share from Discontinued operations/Non-current assets held for sale** | | | |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | (million euros) | — | — |
| Average number of ordinary and savings shares | (millions) | 21,241 | 21,201 |
| 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 2022 | 1st Half 2021 |
|---|---|---|
| Average number of ordinary shares | 15,213,524,300 | 15,173,619,605 |
| Average number of savings shares | 6,027,791,699 | 6,027,791,699 |
| **Total** | **21,241,315,999** | **21,201,411,304** |

| | | 1st Half 2022 | 1st Half 2021 |
|---|---|---|---|
| **Diluted earnings per share** | | | |
| Profit (loss) for the period attributable to owners of the Parent | | (483) | (149) |
| 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) | (483) | (149) |
| Average number of ordinary and savings shares | (millions) | 21,602 | 22,284 |
| Diluted earnings per share – Ordinary shares | (euros) | (0.02) | (0.01) |
| Plus: additional dividends per savings share | | — | — |
| Diluted earnings per share – Savings shares | (euros) | (0.02) | (0.01) |
| **Diluted earnings per share from continuing operations** | | | |
| Profit (loss) from continuing operations attributable to Owners of the Parent | | (483) | (149) |
| Dilution effect of stock option plans and convertible bonds (*) | | — | — |
| Less: additional dividends for the savings shares | | — | — |
| | (million euros) | (483) | (149) |
| Average number of ordinary and savings shares | (millions) | 21,602 | 22,284 |
| Diluted earnings per share from continuing operations – Ordinary shares | (euros) | (0.02) | (0.01) |
| Plus: additional dividends per savings share | | — | — |
| Diluted earnings per share from continuing operations – Savings shares | (euros) | (0.02) | (0.01) |
| **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) | 21,602 | 22,284 |
| 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 2022 | 1st Half 2021 |
|---|---|---|
| Average number of ordinary shares (*) | 15,574,352,762 | 16,256,104,991 |
| Average number of savings shares | 6,027,791,699 | 6,027,791,699 |
| **Total** | **21,602,144,461** | **22,283,896,690** |

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond reimbursed on March 26, 2022. Consequently, the "Net profit (loss) for the period attributable to Owners of the Parent and the "Profit (loss) from continuing operations attributable to Owners of the Parent" were also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+10 million euros in the first half of 2022; +21 million euros in the first half of 2021). As regards the first half of 2022 and the first half of 2021, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

# Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at June 30, 2022:

| | Number of maximum shares issuable | Share capital (thousands of euros) | Paid-in capital (thousands of euros) | Subscription price per share (euros) |
|---|---|---|---|---|
| **Capital increases already approved (ordinary shares)** | | | | |
| 2020-2022 Long Term Incentive Plan (free issue) | 180,000,000 | | | |
| 2022-2024 Stock Options Plan | 257,763,000 | 109,292 | | 0.424 |
| **Total** | **437,763,000** | **109,292** | | |

Further information is provided in the Notes "Non-current and current financial liabilities" and "Equity compensation plans".

# NOTE 28
# SEGMENT REPORTING

## a) Segment reporting

The operating segments of the TIM Group, organized for the telecommunications business and the related geographical location are as follows:

- **Domestic**: includes the activities in Italy relating to voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the activities of the Telecom Italia Sparkle group which, at international level (in Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop S.p.A. for the provision of passive access services on the secondary copper and fiber network, the activities of Noovle S.p.A.(Cloud and Edge Computing solutions), the activities of Olivetti (Information Technology products and services) and support structures for the Domestic sector;
- **Brazil**: includes mobile and fixed telecommunications operations in Brazil (TIM S.A. group);
- **Other Operations**: include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In view of the decision-making process adopted by the TIM Group, segment reporting is presented for financial operating data.

The results of financial management, income taxes 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 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 |
| Third-party revenues | 5,738 | 6,195 | 1,819 | 1,348 | — | — | — | — | 7,557 | 7,543 |
| Intragroup revenues | 16 | 14 | — | — | — | — | (16) | (14) | — | — |
| **Revenues by operating segment** | **5,754** | **6,209** | **1,819** | **1,348** | **—** | **—** | **(16)** | **(14)** | **7,557** | **7,543** |
| Other income | 69 | 163 | 9 | 7 | — | — | — | (1) | 78 | 169 |
| **Total operating revenues and other income** | **5,823** | **6,372** | **1,828** | **1,355** | **—** | **—** | **(16)** | **(15)** | **7,635** | **7,712** |
| Acquisition of goods and services | (2,637) | (2,620) | (756) | (502) | (5) | (1) | 13 | 10 | (3,385) | (3,113) |
| Employee benefits expenses | (1,410) | (1,604) | (143) | (110) | (1) | (1) | — | — | (1,554) | (1,715) |
| of which: accruals to employee severance indemnities | — | (1) | — | — | — | — | — | — | — | (1) |
| Other operating expenses | (167) | (280) | (171) | (143) | (2) | (2) | (2) | 1 | (342) | (424) |
| of which: write-downs and expenses in connection with credit management and provision charges | (65) | (110) | (66) | (59) | — | — | 1 | — | (130) | (169) |
| Change in inventories | 21 | 53 | 13 | (3) | — | — | 1 | (1) | 35 | 49 |
| Internally generated assets | 224 | 208 | 42 | 33 | — | — | 3 | 3 | 269 | 244 |
| **EBITDA** | **1,854** | **2,129** | **813** | **630** | **(8)** | **(4)** | **(1)** | **(2)** | **2,658** | **2,753** |
| Depreciation and amortization | (1,737) | (1,829) | (558) | (439) | (1) | — | 1 | — | (2,295) | (2,268) |
| Gains (losses) on disposals of non-current assets | 29 | (4) | 5 | 3 | | — | — | — | 34 | (1) |
| Impairment reversals (losses) on non-current assets | — | — | — | — | | — | — | — | — | — |
| **EBIT** | **146** | **296** | **260** | **194** | **(9)** | **(4)** | **—** | **(2)** | **397** | **484** |
| Share of profits (losses) of associates and joint ventures accounted for using the equity method | 35 | 22 | (4) | — | — | — | — | — | 31 | 22 |
| Other income (expenses) from investments | | | | | | | | | — | 12 |
| Finance income | | | | | | | | | 773 | 546 |
| Finance expenses | | | | | | | | | (1,459) | (1,128) |
| **Profit (loss) before tax from continuing operations** | | | | | | | | | **(258)** | **(64)** |
| Income tax expense | | | | | | | | | (102) | 7 |
| **Profit (loss) from continuing operations** | | | | | | | | | **(360)** | **(57)** |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | | | | | | | | | — | — |
| **Profit (loss) for the period** | | | | | | | | | **(360)** | **(57)** |
| Attributable to: | | | | | | | | | | |
| **Owners of the Parent** | | | | | | | | | **(483)** | **(149)** |
| Non-controlling interests | | | | | | | | | 123 | 92 |

## Revenues by operating segment

| (million euros) | Domestic | | Brazil | | Other Operations | | Adjustments and eliminations | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 |
| Revenues from equipment sales - third party | 471 | 658 | 56 | 39 | — | — | — | — | 527 | 697 |
| Revenues from equipment sales - intragroup | — | — | — | — | — | — | — | — | — | — |
| **Total revenues from equipment sales** | **471** | **658** | **56** | **39** | — | **—** | **—** | **—** | **527** | **697** |
| Revenues from services - third party | 5,267 | 5,537 | 1,763 | 1,309 | — | — | — | — | 7,030 | 6,846 |
| Revenues from services - intragroup | 16 | 14 | — | — | — | — | (16) | (14) | — | — |
| **Total revenues from services** | **5,283** | **5,551** | **1,763** | **1,309** | — | **—** | **(16)** | **(14)** | **7,030** | **6,846** |
| Total third-party revenues | 5,738 | 6,195 | 1,819 | 1,348 | — | — | — | — | 7,557 | 7,543 |
| Total intragroup revenues | 16 | 14 | — | — | — | — | (16) | (14) | — | — |
| **Total revenues by operating segment** | **5,754** | **6,209** | **1,819** | **1,348** | **—** | **—** | **(16)** | **(14)** | **7,557** | **7,543** |

### Purchase of intangible, tangible and rights of use assets by operating segment

| (million euros) | Domestic | | Brazil | | Other Operations | | Adjustments and eliminations | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 |
| Purchase of intangible assets | 489 | 600 | 114 | 61 | — | — | — | — | 603 | 661 |
| Purchase of tangible assets | 963 | 831 | 314 | 282 | — | — | — | — | 1,277 | 1,113 |
| Purchase of rights of use assets | 111 | 93 | 291 | 194 | — | — | — | — | 402 | 287 |
| **Total purchase of intangible assets, tangible assets and rights of use assets** | **1,563** | **1,524** | **719** | **537** | **—** | **—** | **—** | **—** | **2,282** | **2,061** |
| *of which: capital expenditures* | *1,478* | *1,465* | *428* | *343* | *—* | *—* | *—* | *—* | *1,906* | *1,808* |
| *of which: increases in lease/leasing contracts for rights of use assets* | *85* | *59* | *291* | *194* | *—* | *—* | *—* | *—* | *376* | *253* |

### Headcount by Operating Segment

| (number of units) | Domestic | | Brazil | | Other Operations | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|
| | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 |
| **Headcount** | **42,864** | **42,591** | **9,147** | **9,325** | **12** | **13** | **52,023** | **51,929** |

### Assets and liabilities by Operating Segment

| (million euros) | Domestic | | Brazil | | Other Operations | | Adjustments and eliminations | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 | 6/30/2022 | 12/31/2021 |
| Non-current operating assets | 40,638 | 40,805 | 8,138 | 5,332 | 1 | 1 | (1) | 1 | 48,776 | 46,139 |
| Current operating assets | 3,690 | 3,794 | 1,133 | 864 | 19 | 19 | (37) | (37) | 4,805 | 4,640 |
| Total operating assets | 44,328 | 44,599 | 9,271 | 6,196 | 20 | 20 | (38) | (36) | 53,581 | 50,779 |
| Investments accounted for using the equity method | 44 | 2,725 | 290 | 253 | — | — | 1 | 1 | 335 | 2,979 |
| Discontinued operations /Non-current assets held for sale | | | | | | | | | 2,631 | — |
| Unallocated assets | | | | | | | | | 10,022 | 15,429 |
| **Total Assets** | | | | | | | | | **66,569** | **69,187** |
| Total operating liabilities | 10,495 | 10,890 | 1,884 | 1,671 | 33 | 29 | 137 | (81) | 12,549 | 12,509 |
| Liabilities directly associated with Discontinued operations/Non-current assets held for sale | | | | | | | | | 1 | — |
| Unallocated liabilities | | | | | | | | | 31,494 | 34,639 |
| Equity | | | | | | | | | 22,525 | 22,039 |
| **Total Equity and Liabilities** | | | | | | | | | **66,569** | **69,187** |

## b) Reporting by geographical area

| (million euros) | | Revenues | | | | Non-current operating assets | |
|---|---|---|---|---|---|---|---|
| | | Breakdown by location of operations | | Breakdown by location of customers | | Breakdown by location of operations | |
| | | 1st Half 2022 | 1st Half 2021 | 1st Half 2022 | 1st Half 2021 | 6/30/2022 | 12/31/2021 |
| Italy | (a) | 5,604 | 6,054 | 5,299 | 5,772 | 40,369 | 40,542 |
| Outside Italy | (b) | 1,953 | 1,489 | 2,258 | 1,771 | 8,407 | 5,597 |
| **Total** | **(a+b)** | **7,557** | **7,543** | **7,557** | **7,543** | **48,776** | **46,139** |

## c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

# NOTE 29
# 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 related-party transactions on the TIM Group separate consolidated income statement line items for the first half of 2022 and the first half of 2021 are as follows:

### SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 2022

| (million euros) | **Total** (a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Key managers | **Total related parties** (b) | % of financial statement item (b/a) |
|---|---|---|---|---|---|---|---|
| Revenues | **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 |
| Depreciation and 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.

### SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 2021

| (million euros) | **Total** (a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Key managers | **Total related parties** (b) | % of financial statement item (b/a) |
|---|---|---|---|---|---|---|---|
| Revenues | **7,543** | 22 | | | | **22** | 0.3 |
| Acquisition of goods and services | **3,113** | 176 | 53 | | | **229** | 7.4 |
| Employee benefits expenses | **1,715** | | | 36 | 8 | **44** | 2.6 |
| Other operating expenses | **424** | 1 | | | | **1** | 0.2 |
| Depreciation and amortization | **2,268** | 26 | | | | **26** | 1.1 |
| Finance expenses | **1,128** | 9 | | | | **9** | 0.8 |

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related-party transactions on the TIM Group separate consolidated statements of financial position line items at June 30, 2022 and December 31, 2021, are as follows:

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 6/30/2022

| (million euros) | Total (a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Total related parties (b) | % of financial statement item (b/a) |
|---|---|---|---|---|---|---|
| **Net financial debt** | | | | | | |
| Non-current financial receivables arising from lease contracts | **(50)** | | (1) | | **(1)** | 2.0 |
| Other non-current financial assets | **(1,961)** | | | | | — |
| Current financial receivables arising from lease contracts | **(54)** | | (3) | | **(3)** | 5.6 |
| Non-current financial liabilities for lease contracts | **4,707** | 250 | | | **250** | 5.3 |
| Current financial liabilities for financing contracts and others | **3,768** | 3 | | | **3** | 0.1 |
| Current financial liabilities for lease contracts | **782** | 75 | | | **75** | 9.6 |
| **Total net financial debt** | **24,680** | 328 | (4) | | **324** | 1.3 |
| **Other statement of financial position line items** | | | | | | |
| Rights of use assets | **5,554** | 280 | 24 | | **304** | 5.5 |
| Trade and miscellaneous receivables and other current assets | **4,481** | 32 | 44 | | **76** | 1.7 |
| Miscellaneous payables and other non-current liabilities | **1,322** | 2 | 21 | | **23** | 1.7 |
| Trade and miscellaneous payables and other current liabilities | **9,410** | 203 | 56 | 26 | **285** | 3.0 |

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2021

| (million euros) | Total<br>(a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Total related parties<br>(b) | % of financial statement item<br>(b/a) |
|---|---|---|---|---|---|---|
| **Net financial debt** | | | | | | |
| Non-current financial receivables arising from lease contracts | **(45)** | | (1) | | **(1)** | 2.2 |
| Other non-current financial assets | **(2,285)** | | | | | — |
| Non-current financial liabilities for lease contracts | **4,064** | 269 | | | **269** | 6.6 |
| Current financial liabilities for financing contracts and others | **5,945** | 1 | | | **1** | — |
| Current financial liabilities for lease contracts | **651** | 74 | | | **74** | 11.4 |
| **Total net financial debt** | **22,416** | **344** | **(1)** | | **343** | **1.5** |
| **Other statement of financial position line items** | | | | | | |
| Right of use assets | **4,847** | 299 | 2 | | **301** | 6.2 |
| Trade and miscellaneous receivables and other current assets | **4,358** | 24 | 56 | | **80** | 1.8 |
| Miscellaneous payables and other non-current liabilities | **1,413** | 2 | 25 | | **27** | 1.9 |
| Trade and miscellaneous payables and other current liabilities | **9,473** | 182 | 60 | 23 | **265** | 2.8 |

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for the first half of 2022 and the first half of 2021 are as follows:

## CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF 2022

| (million euros) | Total (a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Total related parties (b) | % of financial statement item (b/a) |
|---|---|---|---|---|---|---|
| Purchases of intangible assets, tangible assets and right of use assets on an accrual basis | **2,282** | 14 | 12 | | **26** | — |

(*) 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 2021

| (million euros) | Total (a) | Associates, subsidiaries of associates and joint ventures | Other related parties (*) | Pension funds | Total related parties (b) | % of financial statement item (b/a) |
|---|---|---|---|---|---|---|
| Purchases of intangible assets, tangible assets and right of use assets on an accrual basis | **2,061** | 2 | 5 | | **7** | 0.3 |
| Dividends paid | **336** | | 36 | | **36** | 10.7 |

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

# Transactions with associates, subsidiaries of associates and joint ventures

Under the scope of the reorganization of Italtel S.p.A., on April 1, 2022, TIM S.p.A. subscribed to part of the company's share capital increase, taking the share held by the TIM Group in Italtel S.p.A. to 17.72%.

Italtel S.p.A. is also subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures).

Therefore, starting April 1, 2022, the company is considered an associate and its subsidiaries are considered related parties of the TIM Group.

The most significant amounts are summarized as follows:

## SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

| (million euros) | 1st Half 2022 | 1st Half 2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Revenues** | | | |
| INWIT S.p.A. | 15 | 25 | Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services, administrative outsourcing and electricity supply. |
| I-Systems S.A. | 3 | | Services supplied by TIM S.A. |
| TIMFin S.p.A. | (8) | (4) | Mobile and fixed voice services, outsourced services, fees and margins for miscellaneous costs for loans. |
| Other minor companies | 1 | 1 | |
| **Total revenues** | **11** | **22** | |
| **Other income** | **2** | **—** | |
| **Acquisition of goods and services** | | | |
| INWIT S.p.A. | 167 | 172 | 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. | 32 | | Supply of multimedia communication services and capacity services. |
| Italtel S.p.A. | 7 | | Supply of services, software licenses, related professional services, hardware and software maintenance services connected with TIM offers to end customers. |
| 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 | — | |
| **Total acquisition of goods and services** | **211** | **176** | |
| **Other operating expenses** | | **1** | Penalties for breach of contract on maintenance management services to INWIT S.p.A. |
| **Depreciation and amortization** | **24** | **26** | 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 | 8 | Finance expenses for interest related to financial liabilities for rights of use. |
| TIMFin S.p.A. | 3 | 1 | Finance expenses for commission and miscellaneous |
| **Total finance expenses** | **10** | **9** | |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

| (million euros) | 6/30/2022 | 12/31/2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Net financial debt** | | | |
| **Financial receivables and other current financial assets** | — | — | Shareholder loan in the favor of Aree Urbane S.r.l. (in liquidation). |
| **Non-current financial liabilities for lease contracts** | 250 | 269 | Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A. |
| **Current financial liabilities for lease contracts** | 75 | 74 | Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A. |
| **Current financial liabilities for financing contracts and others** | 3 | 1 | Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A. |
| **Other statement of financial position line items** | | | |
| **Right of use assets** | 280 | 299 | Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A. |
| **Trade and miscellaneous receivables and other current assets** | | | |
| INWIT S.p.A. | 25 | 20 | Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing. |
| I-Systems S.A. | 3 | 1 | Services supplied by TIM S.A. |
| ITALTEL S.p.A. | 1 | | Supply of fixed and mobile telephone services including Microsoft devices and licenses. |
| TIMFin S.p.A. | 1 | | |
| W.A.Y. S.r.l. | 2 | 2 | Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services. |
| Other minor companies | — | 1 | |
| **Total trade and miscellaneous receivables and other current assets** | **32** | **24** | |
| **Miscellaneous payables and other non-current liabilities** | 2 | 2 | Deferred contractual revenues from INWIT S.p.A. |
| **Trade and miscellaneous payables and other current liabilities** | | | |
| INWIT S.p.A. | 171 | 171 | Supply of services for BTS sites, monitoring and security services, management and maintenance services. |
| I-Systems S.A. | 7 | 5 | Supply of multimedia communication services and capacity services. |
| ITALTEL S.p.A. | 18 | | Supply contracts connected with investment and operation. |
| Movenda S.p.A. | — | 1 | Supply and certification of SIM-cards, software systems. |
| W.A.Y. S.r.l. | 2 | 2 | Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development. |
| TIMFin S.p.A. | 4 | 3 | Cost of the risk for loans. |
| Other minor companies | 1 | | |
| **Total trade and miscellaneous payables and other current liabilities** | **203** | **182** | |

## CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

| (million euros) | 1st Half 2022 | 1st Half 2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Purchases of intangible assets, tangible assets and right of use assets on an accrual basis** | | | |
| ITALTEL S.p.A. | 7 | | Purchases of telecommunications devices. |
| INWIT S.p.A. | 7 | 2 | Higher value of rights of use as a result of new contracts or changes in existing lease contracts, IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers. |
| **Total purchase of intangible, tangible and rights of use assets on an accrual basis** | **14** | **2** | |

## 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 2022 | 1st Half 2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Revenues** | | | |
| Cassa Depositi e Prestiti Group | 46 | | 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. |
| **Total revenues** | **46** | | |
| **Acquisition of goods and services** | | | |
| Cassa Depositi e Prestiti Group | 22 | | Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service relatiing to information flows and devices through interbanking corporate banking (CBI) and purchase of electricity. |
| Havas Group | 58 | 51 | 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 (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform “TIM I Love Games” and related developments. |
| **Total acquisition of goods and services** | **83** | **53** | |
| **Depreciation and amortization** | **2** | | |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

| (million euros) | 6/30/2022 | 12/31/2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Net financial debt** | | | |
| **Non-current financial assets** | **1** | | |
| **Financial receivables and other current financial assets** | **3** | **—** | Non-current financial receivables arising from lease contracts for Cassa Depositi e Prestiti. |
| **Other statement of financial position line items** | | | |
| **Right of use assets** | **24** | **2** | Supply and installation of vertical segments to Cassa Depositi e Prestiti |
| **Trade and miscellaneous receivables and other current assets** | | | |
| Cassa Depositi e Prestiti Group | 34 | 43 | Relating mainly to IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services |
| Havas Group | 10 | 13 | Prepaid expenses related to costs for advertising services. |
| **Total trade and miscellaneous receivables and other current assets** | **44** | **56** | |
| **Miscellaneous payables and other non-current liabilities** | | | |
| Cassa Depositi e Prestiti Group | 20 | 23 | Deferred subscription charges revenues. |
| Vivendi group | 1 | 2 | Deferred income for IRU sale. |
| **Total miscellaneous payables and other non-current liabilities** | **21** | **25** | |
| **Trade and miscellaneous payables and other current liabilities** | | | |
| Cassa Depositi e Prestiti Group | 22 | 21 | Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service related to information flows and devices through interbanking corporate banking (CBI) and purchase of electricity. |
| Havas Group | 32 | 37 | Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns. |
| Vivendi group | 2 | 2 | Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments. |
| **Total trade and miscellaneous payables and other current liabilities** | **56** | **60** | |

## CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

| (million euros) | 1st Half 2022 | 1st Half 2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Purchases of intangible assets, tangible assets and right of use assets on an accrual basis** | **12** | | |
| **Dividends paid** | | | |
| Vivendi group | — | 36 | Dividends paid |
| **Total Dividends paid** | **—** | **36** | |

## Transactions with pension funds

The most significant amounts are summarized as follows:

### SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

| (million euros) | 1st Half 2022 | 1st Half 2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Employee benefits expenses** | | | Contributions to pension funds. |
| Fontedir | 4 | 4 | |
| Telemaco | 32 | 30 | |
| Other pension funds | 2 | 2 | |
| **Total employee benefits expenses** | **38** | **36** | |

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

| (million euros) | 6/30/2022 | 12/31/2021 | TYPE OF CONTRACT |
|---|---|---|---|
| **Trade and miscellaneous payables and other current liabilities** | | | Payables for contributions to pension funds. |
| Fontedir | 3 | 3 | |
| Telemaco | 22 | 20 | |
| Other pension funds | 1 | | |
| **Total trade and miscellaneous payables and other current liabilities** | **26** | **23** | |

## Remuneration to key managers

In the first half of 2022, the total remuneration recorded on an accrual basis by TIM or by companies controlled by the Group in respect of key managers amounted to 9.8 million euros (8.4 million euros in the first half of 2021).

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Short-term remuneration | 5.6 | 5.5 |
| Long-term remuneration | | |
| Employment termination benefit incentives | 0.1 | |
| Share-based payments (*) | 4.1 | 2.9 |
| **Total** | **9.8** | **8.4** |

(*) 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 and Plans of the subsidiaries).

Short-term remuneration is paid during the reference year, and, at the latest, within the six months following the end of that period.

In the first half of 2022, 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 100,700 euros (65,000 euros in the first half of 2021).

In the first half of 2022, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

| | | |
|---|---|---|
| **Directors:** | | |
| Pietro Labriola | | Managing Director and Chief Executive Officer of TIM S.p.A.<br>General Manager |
| | (1) | Diretor Presidente TIM S.A. |
| **Managers:** | | |
| Alberto Maria Griselli | (2) | Diretor Presidente TIM S.A. |
| Giovanna Bellezza | (3) | a.i. Head of Human Resources, Organization & Real Estate |
| Adrian Calaza Noia | (4) | Chief Financial Office |
| Mr Paolo Chiriotti | (5) | Chief Human Resources, Organization, Real Estate & Transformation Office |
| Simone De Rose | | Head of Procurement |
| Stefano Grassi | (6) | Head of Security |
| Massimo Mancini | | Chief Enterprise Market Office |
| Giovanni Gionata Massimiliano Moglia | | Chief Regulatory Affairs Office |
| Agostino Nuzzolo | | Head of Legal & Tax |
| Claudio Giovanni Ezio Ongaro | | Chief Strategy & Business Development Office |
| Giovanni Ronca | (7) | Chief Financial Office |
| Andrea Rossini | (8) | Chief Consumer, Small & Medium Market Office |
| Eugenio Santagata | (9) | Chief Public Affairs & Security Office<br>Telsy's Chief Executive Officer |
| Elio Schiavo | (10) | Chief Enterprise and Innovative Solutions Office |
| Stefano Siragusa | | Chief Network, Operations & Wholesale Office |

(1) To January 31, 2022
(2) From February 1, 2022
(3) To March 29, 2022
(4) From March 1, 2022
(5) From March 30, 2022
(6) To April 8, 2022
(7) To February 28, 2022
(8) From February 21, 2022
(9) From April 9, 2022
(10) From May 16, 2022

# NOTE 30
# EQUITY COMPENSATION PLANS

Equity compensation plans in force at June 30, 2022, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2022.

A summary is provided below of the plans in place at June 30, 2022.

## Description of stock option plans

### TIM S.p.A. 2022-2024 Stock Option Plan

On April 7, 2022, the Shareholders' Meeting approved the launch of a new 2022-2024 long-term plan with a single cycle: the 2022-2024 Stock Options Plan. With a view to ensuring motivation and retention, 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 Business 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 Business Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives. Addressees are, in addition to the CEO, broken down into three pay opportunity brackets according to the contribution and impact of the role held on the company's strategic objectives; for each bracket, the number of option rights attributed at target, is determined.

The Plan has a strike price of 0.4240 euros, a three-year vesting period (1/1/2022-12/31/2024) and a two-year exercise period (from approval of the 2024 financial statements and through to the next two years).

The following performance conditions are also envisaged for the three-year period 2022-2024:

- Cumulative (reported) Economic-financial indicator (EBITDA-CAPEX) with a weight of 70%
- ESG indicators with a total weight of 30%, structured into:
  - % women in positions of responsibility (15%)
  - % 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, 2022, there were a total of 141 addressees and the number of options assigned at target is 224,955,000.

For more details, see the information document on the initiative available for consultation at the link Information Document on the 2022-2024 Stock Options Plan (https://www.gruppotim.it/content/dam/gt/investitori/doc---avvisi/anno-2022/ita/Doc-informativo-Piano-stock-option-22-24.pdf).

### TIM S.A. Stock Option Plans

On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the TIM S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

#### Year 2014

On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. At June 30, 2022, there are no options that can be exercised. Out of the total attributed, 1,558,043 options have been canceled (due to the participants leaving the company or for expiry of the exercise period), and 129,643 options have been exercised.

#### Year 2015

On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As of June 30, 2022, 100% of the options were considered as vested, and there are no options that can be exercised. Of the total options granted, 1,646,080 were canceled by participants leaving the company. All of the remaining balance (amounting to 1,709,149 options) has been exercised.

### Year 2016

On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares. At June 30, 2022, 100% of the options were considered as vested. Of the total options granted, 1,727,424 were canceled by participants leaving the company. Of the remaining balance (2,194,780 options), 2,082,228 options had been exercised and 112,552 could still be exercised.

# Description of other compensation plans

## TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the new rolling and equity based long-term incentive plan called LTI 2020-2022.

Each cycle of the plan is divided into two parties:

- **Performance Share**: free allocation of Company ordinary shares, the maturity of which is subject to an access gate linked to the value of the share and to two share and industrial performance conditions, given below.
- **Attraction/Retention Share**: free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%.

A payout bonus/malus mechanism equal to 4% will be applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the % growth of use of renewable energy out of total energy and to the reduction of indirect emissions of $CO_2$ (2020-2022 cycle);
- to the % growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

For the CEO, 100% of the Pay Opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

### 2020-2022 Cycle

On May 18, 2020, the Board of Directors launched the first cycle of the new Plan, for the three-year period 2020-2022, simultaneously assigning it to the CEO. At June 30, 2022, the first incentive cycle intended for 135 resources establishes the right of beneficiaries to receive 49,816,167 shares upon reaching the target, without prejudice to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

### 2021-2023 Cycle

On April 28, 2021, the Board of Directors resolved the start of the second 2021-2023 cycle of incentives of the 2020-2022 Long Term Incentive Plan, at the same time assigning it to the CEO. The second cycle, like the first, is aimed at the Chief Executive Officer, Top Management and a selected segment of TIM Group's management.

At June 30, 2022, the cycle provides for the 148 recipients to be entitled to receive an award of 45,283,008 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.

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 replacing the third cycle of this plan - which, in routine situations would simply have been implemented - with the new 2022-2024 Stock Options Plan described previously.

## TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share). The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

### Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a vesting period of 3 years.

At June 30, 2022, 100% of the rights assigned were considered as vested.

- **First vesting period**: in compliance with the results approved on May 29, 2019, 115,949 shares were transferred to beneficiaries, of which 91,708 relating to the original volume accrued, 20,594 granted according to the degree to which objectives had been achieved and 3,647 shares as a result of the dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,685 shares (2,915 relative to the original volume accrued, 654 acknowledged according to the degree to which the objectives had been achieved and 116 due to dividends distributed during the period).
- **Second vesting period**: in compliance with the results approved on June 17, 2020, 87,766 shares were transferred to beneficiaries, of which 83,181 relating to the original volume accrued, 70 discounted according to the degree to which objectives had been achieved and 4,655 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,084 shares (2,915 relative to the original volume accrued, 5 acknowledged according to the degree to which the objectives had been achieved and 164 due to dividends distributed during the period).
- **Third vesting period**: in compliance with the results approved on May 5, 2021, 252,143 shares were transferred to beneficiaries, of which 187,039 relating to the original volume accrued, 42,854 discounted according to the degree to which objectives had been achieved and 22,250 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 12,500 shares (9,101 relative to the original volume accrued, 2,305 acknowledged according to the degree to which the objectives had been achieved and 1,094 due to dividends distributed during the period).

At June 30, 2022, of the original volume assigned of 849,932 shares, 473,073 had been canceled due to the beneficiaries having left the participating company, 455,858 shares had been transferred to beneficiaries (361,928 relating to the original volume accrued, 63,378 from performance achieved and 30,552 for payment of dividends in shares) and 19,269 shares had been valued and paid in cash (14,931 relating to the original volume accrued, 2,964 from performance achieved and 1,374 for payment of dividends in shares), thereby completing the 2018 concession.

### Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on June 30, 2022:

- **First vesting period**: in compliance with the results approved on July 29, 2020, 309,557 shares were transferred to beneficiaries, of which 209,349 relating to the original volume accrued, 83,672 granted according to the degree to which objectives had been achieved and 16,536 shares as a result of the dividends distributed during the period.
- **Second vesting period**: in compliance with the results approved on July 26, 2021, 309,222 shares were transferred to beneficiaries, of which 207,859 relating to the original volume accrued, 78,111 discounted according to the degree to which objectives had been achieved and 23,252 shares for dividends distributed during the period.
- **Third vesting period**: in compliance with the results approved on April 26, 2022, 175,836 shares were transferred in July to beneficiaries, of which 118,207 relating to the original volume accrued, 41,107 discounted according to the degree to which objectives had been achieved and 16,522 shares for dividends distributed during the period.

At June 30, 2022, of the original volume assigned of 930,662 shares, 86,424 had been canceled due to the beneficiaries having left the company and 618,779 shares had been transferred to beneficiaries (417,208 related to the original volume vested, 161,783 from performance achieved and 39,788 for payment of dividends in shares). In July, 175,836 shares were transferred to beneficiaries (of which 118,207 relating to the original volume accrued, 41,107 granted according to the degree to which the objectives had been achieved and 16,522 shares as a result of dividends distributed during the period), thereby leaving a balance of 308,823 shares that could be accrued at period end.

### Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on June 30, 2022:

- **First vesting period**: 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.
- **Second vesting period**: in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).

At June 30, 2022, of the original volume assigned of 796,054 shares, 70,378 had been canceled due to the beneficiaries having left the company and 270,623 shares had been transferred to beneficiaries (209,171 related to the original volume vested, 52,283 recognized on the basis of performance achieved and 9,169 for effect of dividends distributed during the period). In July, 337,937 shares will be transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which the objectives had been achieved and 22,884 shares as a result of dividends distributed during the period, thereby leaving a balance of 264,481 shares that could be accrued at period end.

## TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

### Year 2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the Oi purchase operation in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On June 30, 2022 the first vesting period ended.

- **First vesting period**: in compliance with the results approved on April 26, 2022, in July 572,608 shares were transferred to beneficiaries, of which 463,608 relating to the original volume accrued, 87,605 granted according to the degree to which objectives had been achieved and 21,395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- **Special Grant**: in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.

At June 30, 2022, of the total assigned of 3,431,610 shares, 311,876 had been canceled due to the beneficiaries having left the company and 3,486 shares had been transferred to beneficiaries through payment in cash, given the results of the first vesting period of the performance shares. In July, 1,174,544 shares will be transferred to beneficiaries, of which 1,043,059 relating to the original volume accrued, 87,605 granted according to the degree to which the objectives had been achieved and 43,880 shares as a result of dividends distributed during the period, thereby leaving a balance of 2,073,792 shares that could be accrued at period end.

## TIM S.A. - Long Term Incentive Plan 2022-2024

On April 26, 2022, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

### Year 2022

On April 26, 2022, plan beneficiaries were granted the right to receive a total of 1,129,846 shares, of which 790,892 performance shares restricted to performance conditions and with gradual vesting over 3 years and 338,954 restricted shares, with a vesting period of 3 years.

As at June 30, 2022, the first vesting period has not yet finished.

# NOTE 31

# SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of non-recurring events and transactions in the first half of 2022 on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

| (million euros) | | Equity | Profit (loss) for the period | Net financial debt carrying amount | Cash flows (*) |
|---|---|---|---|---|---|
| **Carrying amount** | **(a)** | **22,525** | **(360)** | **24,680** | **(4,502)** |
| Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs | | (23) | (23) | 14 | (14) |
| Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs | | (260) | (260) | 221 | (221) |
| 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 | | (3) | (3) | 386 | (386) |
| Miscellaneous finance expenses | | (3) | (3) | — | — |
| **Total non-recurring effects** | **(b)** | **(289)** | **(289)** | **621** | **(621)** |
| **Income/(Expenses) relating to Discontinued operations** | **(c)** | **—** | **—** | **—** | **—** |
| **Figurative amount – financial statements** | **(a–b-c)** | **22,814** | **(71)** | **24,059** | **(3,881)** |

(*) Cash flows refer to the increase (decrease) in Cash and Cash equivalents during the period.

Flows relating to “Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers and other provisions and charges” include the effects relating to the use of the Contractual risk provisions for Onerous Contracts (IAS 37) posted in FY 2021 and relating to ongoing relations with some counterparties for the offer of multimedia content.

In particular, 2021 saw the accrual of the Net Present Value of the negative margin connected with some partnerships, including the one in place between TIM and DAZN for the offer in Italy on the TimVision platform of DAZN content, including all matches of the Serie A football championship for the seasons 2021-22, 2022-23 and 2023-24.

Use of said Provision throughout the contractual term makes it possible to offset the negative item of the margin (EBITDA), thereby obtaining null EBIT (organic or operative margin) for the DAZN offer contents sale business.

From a financial viewpoint, the negative margin covered by the Risks Provision has an equal impact on the Net Financial Position and cash flows. For the DAZN contract, TIM is contractually obliged to pay advance installments for each year (July 1-June 30, corresponding to each championship season).

Finally, it should be noted that in August 2022, TIM and DAZN reached a new agreement that - in amending the clauses previously in place - allows DAZN to distribute football rights through any third party, surpassing the previous system of TIM exclusivity. The valuation of the Provision for onerous contracts in place has therefore been updated to take into account the new scenario. The figure at June 30, 2022 came to 221 million euros.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| **Other income:** | | |
| Recovery of operating expenses | — | 1 |
| **Acquisition of goods and services, Change in inventories:** | | |
| Professional expenses, consulting services and other costs | (27) | (27) |
| **Employee benefits expenses:** | | |
| Charges connected to corporate reorganization/restructuring and other costs | (262) | (335) |
| **Other operating expenses:** | | |
| Other expenses and provisions | (3) | (86) |
| **Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)** | **(292)** | **(447)** |
| **Impact on EBIT - Operating profit (loss)** | **(292)** | **(447)** |
| **Finance expenses:** | | |
| Miscellaneous finance expenses | (3) | (1) |
| **Impact on profit (loss) before tax from continuing operations** | **(295)** | **(448)** |
| Income taxes on non-recurring items | 6 | 104 |
| **Impact on profit (loss) for the period** | **(289)** | **(344)** |

# NOTE 32
# 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 2022 no atypical and/or unusual transactions, as defined by that Communication, were pursued.

# NOTE 33
# OTHER INFORMATION

## a) Exchange rates used to translate the financial statements of foreign operations(*)

| (local currency against 1 euro) | | Period-end exchange rates (statements of financial position) | | Average exchange rates for the (income statements and statements of cash flows) | |
|---|---|---|---|---|---|
| | | 6/30/2022 | 12/31/2021 | 1st Half 2022 | 1st Half 2021 |
| **Europe** | | | | | |
| BGN | Bulgarian Lev | 1.95580 | 1.95580 | 1.95580 | 1.95580 |
| CZK | Czech koruna | 24.73900 | 24.85800 | 24.64492 | 25.86068 |
| CHF | Swiss franc | 0.99600 | 1.03310 | 1.03167 | 1.09469 |
| TRY | Turkish lira | 17.32200 | 15.23350 | 16.25703 | 9.52051 |
| GBP | Pound sterling | 0.85820 | 0.84028 | 0.84219 | 0.86800 |
| RON | Romanian leu | 4.94640 | 4.94900 | 4.94572 | 4.90150 |
| RUB | Russian ruble | 57.24730 | 85.30040 | 84.27857 | 89.56573 |
| **North America** | | | | | |
| USD | U.S. dollar | 1.03870 | 1.13260 | 1.09331 | 1.20504 |
| **Latin America** | | | | | |
| VES (**) | Venezuelan bolivar – Soberano | 5.73990 | 5.19230 | 5.07243 | 2,684,523.87137 |
| BOB | Bolivian Bolíviano | 7.17790 | 7.83860 | 7.51293 | 8.32095 |
| PEN | Peruvian nuevo sol | 4.01640 | 4.55660 | 4.12783 | 4.49323 |
| ARS | Argentine peso | 131.25660 | 116.53860 | 122.68380 | 110.07095 |
| CLP | Chilean peso | 969.87000 | 969.83000 | 902.86473 | 867.72767 |
| COP | Colombian peso | 4,349.27000 | 4,628.12000 | 4,279.99070 | 4,370.95736 |
| BRL | Brazilian real | 5.44071 | 6.32047 | 5.56056 | 6.48919 |
| **Other countries** | | | | | |
| ILS | Israeli shekel | 3.63920 | 3.51590 | 3.57511 | 3.93700 |
| NGN | Nigerian Naira | 441.14540 | 483.26890 | 455.35703 | 485.11946 |

(*) Source: Data processed by the European Central Bank, Bloomberg and major Central Banks.
(**) On October 1, 2021, a new monetary scale took effect, entailing the elimination of six zeros in relation to the previous one (1,000,000Bs = 1Bs).

## b) Research and development

Costs for research and development activities are represented by external costs, labor costs of dedicated staff and depreciation and amortization. Details are as follows:

| (million euros) | 1st Half 2022 | 1st Half 2021 |
|---|---|---|
| Research and development costs expensed during the period | 20 | 19 |
| Capitalized development costs | 388 | 333 |
| **Total research and development costs (expensed and capitalized)** | **408** | **352** |

The increase recorded in the first half of 2022 is mainly due to the greater implementation activities connected with the new generation networks and software developments on corporate information systems.

In the first half of 2022, in the separate consolidated income statements, a total of 444 million euros of depreciation and amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Interim Management Report (“Research and Development” section).

# NOTE 34
# EVENTS SUBSEQUENT TO JUNE 30, 2022

## National Strategic Hub (NSH)

On July 7, 2022, the consortium made up of TIM, Leonardo, Cassa Depositi e Prestiti (through CDPE) and Sogei exercised the pre-emption right under the scope of the European tender for the development and management of the NSH, undertaking to fulfill the contractual obligations at the same conditions offered by the provisional successful bidder. The NSH envisages the development and management of an infrastructure to supply cloud services and solutions for the public administration, whose migration will start in the first half of 2023. Thanks to the action taken to limit costs, the percentage margins expected for TIM are in line with those initially envisaged. Participation in the NSH as supplier will also give TIM additional commercial opportunities to be taken.

## SACE-backed loan

On July 6, 2022, a syndicated loan was stipulated with major national and international banks for 2 billion euros, which benefits from the SACE guarantee in accordance with Law no. 178 of the Law of December 30, 2020 as subsequently amended. The funds were made available on July 27, 2022.

## Agreement with trade unions on voluntary redundancies

On July 28, 2022, an agreement was signed with the trade unions aiming, amongst other things, at achieving voluntary redundancies with assistance through to retirement, for up to 2,100 workers no more than 60 months from the first available retirement date, as specified by Art. 41, subsection 5 bis of Italian Legislative Decree no. 148/2015.

The Agreement aims to ensure the government stipulation of a Group Expansion Contract also envisaging the involvement of Olivetti S.p.A., Noovle S.p.A., TI Sparkle S.p.A. and Telecontact Center S.p.A..

As detailed in the Half-year financial report as at June 30, 2022, an initial Agreement was signed on June 7, which envisages voluntary redundancy for up to a maximum of 1,200 workers (with assistance through to retirement pursuant to Art. 4 of the Fornero Law for those accruing entitlement to old age pension by December 2028 (December 2027 for Field Technicians and Network Designers)).

# NOTE 35
# 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.<br>(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.<br>(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)<br>(ICT services) | ROME | EUR | 10,000 | 100.0000 | | NOOVLE S.p.A. SOCIETA' BENEFIT |
| MED 1 SUBMARINE CABLES Ltd<br>(construction and management of the submarine cable | RAMAT GAN<br>(ISRAEL) | ILS | 9,607,583 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| MINDICITY S.r.l. BENEFIT CORPORATION<br>(design, development, implementation, installation, management and marketing of software, hardware, electronic IT systems and telecommunications systems) | CASALMAGGIORE<br>(CREMONA) | EUR | 10,000 | 70.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| NOOVLE AI S.r.l.<br>(ICT services) | ROVERETO<br>(TRENTO) | EUR | 10,000 | 100.0000 | | NOOVLE S.p.A. SOCIETA' BENEFIT |
| NOOVLE INTERNATIONAL SAGL<br>(ICT services) | PREGASSONA<br>(SWITZERLAND) | CHF | 20,000 | 100.0000 | | NOOVLE S.p.A. SOCIETA' BENEFIT |
| NOOVLE MALTA Ltd<br>(ICT services) | GZIRA<br>(MALTA) | EUR | 10,000 | 90.0000 | | NOOVLE INTERNATIONAL SAGL |
| NOOVLE S.p.A. SOCIETA' BENEFIT<br>(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.<br>(ICT services) | PALERMO | EUR | 50,000 | 80.0000 | | NOOVLE S.p.A. SOCIETA' BENEFIT |
| NOOVLE SLOVAKIA S.R.O. (in liquidation)<br>(ICT services) | BRATISLAVA<br>(SLOVAKIA) | EUR | 5,000 | 85.0000<br>15.0000 | | NOOVLE S.p.A. SOCIETA' BENEFIT<br>TELECOM ITALIA FINANCE S.A. |
| OLIVETTI PAYMENT SOLUTIONS S.p.A.<br>(management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities) | MILAN | EUR | 350,000 | 100.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| OLIVETTI S.p.A. SOCIETA' BENEFIT<br>(production and sale of office equipment and information technology services) | IVREA<br>(TURIN) | EUR | 11,000,000 | 100.0000 | | TIM S.p.A. |
| PANAMA DIGITAL GATEWAY S.A.<br>(telecommunications services and data center | PANAMA CITY<br>(PANAMA) | USD | 10,000 | 60.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| STAER SISTEMI S.r.l.<br>(activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants) | ROME | EUR | 419,000 | 100.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| TELECOM ITALIA SAN MARINO S.p.A.<br>(San Marino telecommunications management) | BORGO MAGGIORE<br>(SAN MARINO) | EUR | 1,808,000 | 100.0000 | | TIM S.p.A. |
| TELECOM ITALIA SPARKLE S.p.A.<br>(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.<br>(other operations related to non-classified IT services) | POMEZIA<br>(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.<br>(investment holding company) | MILAN | EUR | 10,000 | 100.0000 | | TIM S.p.A. |
| TELECONTACT CENTER S.p.A.<br>(telemarketing services) | NAPLES | EUR | 3,000,000 | 100.0000 | | TIM S.p.A. |
| TELEFONIA MOBILE SAMMARINESE S.p.A.<br>(development and management of mobile telecommunications plants and services) | BORGO MAGGIORE<br>(SAN MARINO) | EUR | 78,000 | 51.0000 | | TELECOM ITALIA SAN MARINO S.p.A. |
| TELENERGIA S.r.l.<br>(import, export, purchase, sale and trade of electricity) | ROME | EUR | 50,000 | 100.0000 | | TIM S.p.A. |
| TELSY S.p.A.<br>(production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general) | TURIN | EUR | 5,390,000 | 100.0000 | | TIM S.p.A. |
| TI SPARKLE AMERICAS Inc.<br>(managed bandwidth services) | MIAMI<br>(UNITED STATES OF AMERICA) | USD | 10,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE ARGENTINA S.A.<br>(managed bandwidth services) | BUENOS AIRES<br>(ARGENTINA) | ARS | 9,998,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE AUSTRIA GmbH<br>(telecommunications services) | VIENNA<br>(AUSTRIA) | EUR | 2,735,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A.<br>(telecommunications services) | BRUSSELS<br>(BELGIUM) | EUR | 2,200,000 | 99.9967<br>0.0033 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE UK Ltd |
| TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda<br>(investment holding company) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 71,563,866 | 99.9999<br>0.0001 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE AMERICAS Inc. |
| TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda<br>(managed bandwidth services) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 69,337,363 | 99.9999<br>0.0001 | | TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda<br>TI SPARKLE AMERICAS Inc. |
| TI SPARKLE BULGARIA EOOD<br>(telecommunications) | SOFIA<br>(BULGARIA) | BGN | 100,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE CHILE S.p.A.<br>(managed bandwidth services) | SANTIAGO<br>(CHILE) | CLP | 5,852,430,960 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE COLOMBIA Ltda<br>(managed bandwidth services) | BOGOTA'<br>(COLOMBIA) | COP | 12,635,774,000 | 99.9999<br>0.0001 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE AMERICAS Inc. |
| TI SPARKLE CZECH S.R.O.<br>(telecommunications services) | PRAGUE<br>(CZECH REPUBLIC) | CZK | 6,720,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE FRANCE S.A.S.<br>(installation and management of telecommunications services for fixed network and related activities) | PARIS<br>(FRANCE) | EUR | 18,295,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE GERMANY Gmbh<br>(telecommunications services) | FRANKFURT<br>(GERMANY) | EUR | 25,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE GREECE S.A.<br>(telecommunications) | ATHENS<br>(GREECE) | EUR | 368,760 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE ISRAEL Ltd<br>(international wholesale telecommunication services) | RAMAT GAN<br>(ISRAEL) | ILS | 1,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE NETHERLANDS B.V.<br>(telecommunications services) | AMSTERDAM<br>(NETHERLANDS) | EUR | 18,200 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE NORTH AMERICA, Inc.<br>(telecommunications and promotional services) | NEW YORK<br>(UNITED STATES OF AMERICA) | USD | 15,550,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE PANAMA S.A.<br>(managed bandwidth services) | PANAMA CITY<br>(PANAMA) | USD | 10,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE PERU' S.A.<br>(managed bandwidth services) | LIMA<br>(PERU) | PEN | 57,101,788 | 99.9999<br>0.0001 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE AMERICAS Inc. |
| TI SPARKLE PUERTO RICO LLC<br>(managed bandwidth services) | SAN JUAN<br>(PUERTO RICO) | USD | 3,050,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE ROMANIA S.r.l.<br>(telecommunications services) | BUCHAREST<br>(ROMANIA) | RON | 3,021,560 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE RUSSIA LLC<br>(telecommunications services) | MOSCOW<br>(RUSSIA) | RUB | 8,520,000 | 99.0000<br>1.0000 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE UK Ltd |
| TI SPARKLE SINGAPORE Pte.Ltd<br>(telecommunications services) | SINGAPORE | USD | 5,121,120 | 99.9999<br>0.0001 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE NORTH AMERICA, Inc. |
| TI SPARKLE SLOVAKIA S.R.O.<br>(telecommunications services) | BRATISLAVA<br>(SLOVAKIA) | EUR | 300,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE SPAIN TELECOMMUNICATIONS S.L.<br>(telecommunications services) | MADRID<br>(SPAIN) | EUR | 1,687,124 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE ST. CROIX LLC<br>(managed bandwidth services) | VIRGIN ISLANDS<br>(UNITED STATES OF AMERICA) | USD | 1,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |

| Company name | Reg. office | Currency | Share Capital | % Ownership | % of voting rights | Participating companies |
|---|---|---|---|---|---|---|
| TI SPARKLE SWITZERLAND GmbH<br>(telecommunications services) | ZURICH<br>(SWITZERLAND) | CHF | 2,000,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI<br>(telecommunications services) | ISTANBUL<br>(TURKEY) | TRY | 65,000,000 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE UK Ltd<br>(value-added and networking services) | LONDON<br>(UNITED<br>KINGDOM) | EUR | 3,983,254 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TI SPARKLE VENEZUELA C.A.<br>(managed bandwidth services) | CARACAS<br>(VENEZUELA) | VES | 10 | 100.0000 | | TELECOM ITALIA SPARKLE S.p.A. |
| TIESSE S.c.p.A. (in liquidation)<br>(installation and assistance for electronic, IT, telematics and telecommunications equipment) | IVREA<br>(TURIN) | EUR | 103,292 | 61.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| TIM MY BROKER S.r.l.<br>(Insurance brokerage) | ROME | EUR | 10,000 | 100.0000 | | TIM S.p.A. |
| TIM RETAIL S.r.l.<br>(sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment) | MILAN | EUR | 2,402,241 | 100.0000 | | TIM S.p.A. |
| TIM SERVIZI DIGITALI S.p.A.<br>(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<br>(telecommunications services) | LAGOS<br>(NIGERIA) | NGN | 10,000,000 | 99.9999<br>0.0001 | | TELECOM ITALIA SPARKLE S.p.A.<br>TI SPARKLE UK Ltd |
| **BRAZIL BU** | | | | | | |
| COZANI RJ INFRAESTRUCTURA E REDE DE TELECOMUNICAÇÕES S.A.<br>(telecommunications services) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 2,993,889,243 | 100.0000 | | TIM S.A. |
| TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.<br>(investment holding company) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 8,227,356,500 | 99.9999<br>0.0001 | | TELECOM ITALIA FINANCE S.A.<br>TIM S.p.A. |
| TIM S.A.<br>(telecommunications services) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 13,477,890,508 | 66.5882<br>0.0165 | 66.5992 | TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.<br>TIM S.A. |
| **OTHER OPERATIONS** | | | | | | |
| OLIVETTI DEUTSCHLAND GmbH<br>(sale of office equipment and supplies) | NURNBERG<br>(GERMANY) | EUR | 25,600,000 | 100.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| OLIVETTI UK Ltd<br>(sale of office equipment and supplies) | NORTHAMPTON<br>(UNITED<br>KINGDOM) | GBP | 6,295,712 | 100.0000 | | OLIVETTI S.p.A. SOCIETA' BENEFIT |
| TELECOM ITALIA CAPITAL S.A.<br>(financial company) | LUXEMBOURG | EUR | 2,336,000 | 100.0000 | | TIM S.p.A. |
| TELECOM ITALIA FINANCE S.A.<br>(financial company) | LUXEMBOURG | EUR | 1,818,691,979 | 100.0000 | | TIM S.p.A. |
| TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda<br>(telecommunications and promotional services) | SAO PAULO<br>(BRAZIL) | BRL | 118,925,804 | 100.0000 | | TIM S.p.A. |
| TI AUDIT COMPLIANCE LATAM S.A. (in liquidation)<br>(internal audit services) | RIO DE JANEIRO<br>(BRAZIL) | BRL | 1,500,000 | 69.9996<br>30.0004 | | TIM S.p.A.<br>TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. |
| **SUBSIDIARIES HELD FOR SALE** | | | | | | |
| DAPHNE 3 S.p.A.<br>(assumption, holding, management and disposal of equity investments in INWIT) | MILAN | EUR | 100,000 | 51.0000 | | TIM S.p.A. |

| Company name | Reg. office | Currency | Share Capital | % Ownership | % of voting rights | Participating companies |
|---|---|---|---|---|---|---|
| **ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD** | | | | | | |
| AREE URBANE S.r.l. (in liquidation)<br>(real estate management) | MILAN | EUR | 100,000 | 32.6200 | | TIM S.p.A. |
| CONSORZIO MEDSTAR<br>(other services to support businesses) | ROME | EUR | 10,000 | 50.0000 | | STAER SISTEMI S.r.l. |
| I-SYSTEMS S.A.<br>(telecommunications systems) | RIO DE JANEIRO (BRAZIL) | BRL | 1,794,287,995 | 49.0000 | | TIM S.A. |
| INFRASTRUTTURE WIRELESS ITALIANE S.p.A.<br>(installation and operation of installations and infrastructure for the management and the sale of telecommunications services) | MILAN | EUR | 600,000,000 | 30.2000 | | DAPHNE 3 S.p.A. |
| ITALTEL S.p.A.<br>(TLC systems) | ROME | EUR | 5,692,956 | 17.7200 | | TIM S.p.A. |
| MOVENDA S.p.A.<br>(design, construction and diffusion of Internet sites, products and computer media) | ROME | EUR | 133,333 | 24.9998 | | TELECOM ITALIA FINANCE S.A. |
| NORDCOM S.p.A.<br>(application service provider) | MILAN | EUR | 5,000,000 | 42.0000 | | TIM S.p.A. |
| PEDIUS S.r.l.<br>(implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services) | ROME | EUR | 181 | (*) | | TELECOM ITALIA VENTURES S.r.l. |
| QTI S.r.l.<br>(development, production and sale of innovative products and services with high technological value) | FLORENCE | EUR | 14,925 | 33.0000 | | TELSY S.p.A. |
| SATISPAY S.p.A<br>(development, production and sale of innovative products or services with high technological value) | MILAN | EUR | 826,385 | (*) | | TELECOM ITALIA VENTURES S.r.l. |
| SMART STRUCTURES SOLUTIONS S.r.l.<br>(engineering research activities) | ROME | EUR | 15,000 | 36.0000 | | STAER SISTEMI S.r.l. |
| TIGLIO I S.r.l. (in liquidation)<br>(real estate management) | MILAN | EUR | 100,000 | 47.8020 | | TIM S.p.A. |
| TIMFIN S.p.A.<br>(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.<br>(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.<br>(ICT services) | MILAN | EUR | 242,357 | (*) | | TELECOM ITALIA VENTURES S.r.l. |
| WESCHOOL S.r.l.<br>(research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC) | MILAN | EUR | 25,000 | (*) | | TELECOM ITALIA VENTURES S.r.l. |

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

# 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, paragraphs 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, 2022.

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, 2022:

   a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;

   b) agree with the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2. The interim management report includes reliable analysis of references to important events occurring in the first six months of 2022 and their impact on the half-year condensed consolidated financial statements at June 30, 2022, along with a description of the main risks and uncertainties for the remaining six months of 2022. The Interim Management Report also contains a reliable analysis of information concerning significant related party transactions.

August 3, 2022

| **Chief Executive Officer** | **Manager Responsible for Preparing the Corporate Financial Reports** |
|---|---|
| / signed / | / signed / |
| Pietro Labriola | Adrian Calaza Noia |

# INDEPENDENT AUDITORS' REPORT

EY S.p.A.
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# 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 2022. 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, 2022 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, 4 August 2022

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 2022 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.

Finally, the following numbers are available:

Free Number 800.020.220 (for calls from Italy) or +39 0112293603 (for calls from abroad) available for information and assistance to shareholders.

+39 06 3688 2500 or investor_relations@telecomitalia.it

TIM S.p.A.

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General Administration and Secondary Office in Rome - Corso d'Italia 41

PEC (Certified Electronic Mail) box: telecomitalia@pec.telecomitalia.it

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